

308149

JPRS 84351

19 September 1983

# China Report

RED FLAG

No. 14, 16 July 1983

19991005 195

Reproduced From  
Best Available Copy

**DISTRIBUTION STATEMENT A**  
Approved for Public Release  
Distribution Unlimited

**FBIS**

**FOREIGN BROADCAST INFORMATION SERVICE**

REPRODUCED BY  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
U.S. DEPARTMENT OF COMMERCE  
SPRINGFIELD, VA. 22161

6  
93  
A05

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

19 September 1983

## CHINA REPORT

## RED FLAG

No. 14, 16 July 1983

Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

## CONTENTS

Upholding and Developing Mao Zedong Thought Is Our Party's Fundamental Principle--Studying 'Selected Works of Deng Xiaoping' (pp 2-6) (Zhai Sishi).....	1
Scale of Capital Construction Must Be Suited to the Country's Capability (pp 7-9) (Commentator).....	10
Resolutely Curb the Unhealthy Trends of Arbitrarily Increasing Prices and Exacting Charges! (pp 10-12) (Jing Ping).....	16
Assess Socialist Society With the Theory of Development of Dialectical Materialism (pp 13-17) (Lu Zhichao).....	21
Always Proceed From Xizang Realities (pp 18-21) (Yin Fatang).....	30
Concentration, Exchange and Accumulation (p 22) (Xue Muqiao).....	37
The Relations Between the Whole and the Part in Economic Work (pp 23-27) (Yue Wei).....	39
Tentative Views on Industrial Companies (pp 28-32) (Su Xing).....	48

Intellectual Resources Development and Economic Invigoration (pp 33-38)	
(Luo Jingbai).....	58
Explanations of Several Important Notions in 'Selected Works of Deng Xiaoping' (pp 39-44)	
(RED FLAG Theoretical Education Editorial Office).....	68
II. Concerning Ideological Line (7-10).....	68
Founder of Marxism and Work of Communist Theoretical Education (pp 45-47)	
(Fan Ruoyu).....	79
RED FLAG Holds Tea Party To Mark Its 25th Anniversary (p 48).....	85
The 'Phoenix' and 'Shedding Feathers' (inside back cover)	
(Liu Shusen).....	87

UPHOLDING AND DEVELOPING MAO ZEDONG THOUGHT IS OUR PARTY'S FUNDAMENTAL PRINCIPLE--STUDYING 'SELECTED WORKS OF DENG XIAOPING'

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 2-6

[Article by Zhai Sishi [5049 1835 1395]]

[Text] The "Selected Works of Deng Xiaoping" published recently is an important Marxist work during the period of a great historic change. This book has considerably substantial content, covering politics, economics, military affairs, culture, ideological theory, party building, and other fields, and the main line running through these fields is upholding and developing Mao Zedong Thought. This is the fundamental principle that our party should abide by, a principle that Comrade Deng Xiaoping has persistently stressed.

I

The "Great Cultural Revolution"--this 10 years of internal disorder--threw our party and country into disorder and also confused the party's guiding ideology--Mao Zedong Thought. This state of affairs was chiefly caused by the disruptive activities of Lin Biao and the "gang of four" and by the "leftist" errors made by Comrade Mao Zedong in his later years. After the smashing of the "gang of four," the basic question confronting the whole party was to restore the true features of Mao Zedong Thought. This was the most fundamental bringing of order out of chaos. However, at that time, Comrade Hua Guofeng formulated and stuck to the policy of the "two whatevers," in an attempt to continue mechanically to transplant the "leftist" errors committed by Comrade Mao Zedong in his later years. This presented a serious obstacle to our endeavors to bring order out of chaos. Without dumping the erroneous principle of the "two whatevers," the confusion that the country was suffering from could not be cleared, and the party and state could not move forward. Moreover, it was Comrade Deng Xiaoping who first raised and promoted the solution to this problem.

At a time when Comrade Deng Xiaoping had not yet resumed his work, that is, in April 1977, he proposed that we have a comprehensive and accurate understanding of Mao Zedong Thought. He said: "We should apply the comprehensive and accurate Mao Zedong Thought generation after generation to guiding the whole party, army, and people, and triumphantly push forward the cause

of the party and of socialism and that of the international communist movement." ("Selected Works of Deng Xiaoping," p 36; the number of pages alone is to be given in citing quotations from this book.) Later on, he further explained this: What I meant is that we should have a comprehensive and accurate understanding of Mao Zedong Thought and be good at studying and mastering Mao Zedong Thought as a system and applying it to guiding work in all fields. Only by doing so, will Mao Zedong Thought not be torn apart, distorted, or damaged. This theoretical principle put forth by Comrade Deng Xiaoping through repeated deliberations laid bare the purpose and essence of the theory of the "two whatevers" and thus created a precedent in bringing order out of chaos. At that time, to repudiate the theory of the "two whatevers" required extraordinary theoretical courage and profound foresight. The ideas and deeds of Comrade Deng Xiaoping are an embodiment of the dauntless spirit of the proletarian revolutionaries of the older generation and their high sense of responsibility for the party and the revolutionary cause.

The argument regarding Mao Zedong Thought as a scientific system and urging people to understand it in a comprehensive and accurate way is a fine tradition of our party. Our party has always done so since the confirmation of Mao Zedong Thought during the Yanan rectification movement. In his report on the revision of the party constitution (that is, "On the Party") to the Seventh CPC Congress, Comrade Liu Shaoqi pointed out: "Mao Zedong Thought, his world outlook, and his work style are Marxism being developed and perfected in application to China. It is the integrated theory of revolution and national reconstruction for the Chinese people" and "a comprehensive, systematic, and scientific theory in relation to the whole course of Chinese history and the Chinese revolution," and stressed that we "must study Comrade Mao Zedong's works systematically" and "propagate Mao Zedong Thought in a systematic way." ("Selected Works of Liu Shaoqi," pp 335, 333, and 337) History has proved that approaching Mao Zedong Thought in this way is the important guarantee for the smooth progress of the cause led by our party. However, this fine tradition was seriously sabotaged by dogmatism and the personality cult that began gradually to spread unchecked beginning in the late 1950's and reached its climax during the 10 years of internal disorder. On the one hand, Lin Biao and the "gang of four" deified Comrade Mao Zedong, trumpeting the so-called theory of "the peak" and "every sentence spoken or written by Chairman Mao is a truth" and on the other hand, they vulgarized Mao Zedong Thought, driving that in studying Mao Zedong's works, it is not necessary to read them in a systematic way and it is "quite enough to learn by heart several dozen of Chairman Mao's phrases and sentences," and thus tore to pieces Mao Zedong Thought--this integrated world outlook and scientific system. The sabotage and harm done by this pragmatic disgusting practice to Mao Zedong Thought and the party's cause are already known to all. The theory of the "two whatevers" surfacing after the downfall of the "gang of four" was in reality the reproduction of "every sentence spoken or written by Chairman Mao is a truth." This view and practice seemingly respected Mao Zedong Thought but actually ran against it. Under the guidance of this erroneous principle, the work of setting things to rights proceeded haltingly. Comrade Deng Xiaoping boldly came out and resolutely supported the discussion

carried out extensively at that time on the concept of practice being the sole criterion for testing truth. In a blow-for-blow manner, he advanced the principle of "emancipate the mind, use our brains, seek truth from facts, unite as one, and look ahead" and sharply pointed out: "A party, a state, or a nation can never make progress and will terminate its own life if it considers everything on the basis of books, keeps its thinking ossified, and promotes superstition. A party will even vanish and a state will come to an end." (p 133) These expositions of Comrade Deng Xiaoping are an incisive reflection of the demands of the times and a powerful ideological weapon for liberating the masses of people from the spiritual trammels of dogmatism and personality cult.

The "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" drafted under the charge and guidance of Comrades Deng Xiaoping and Hu Yaobang pointed out: "Mao Zedong Thought is Marxism-Leninism applied and developed in China; it constitutes a correct theory, a body of correct principles and a summary of the experiences that have been confirmed in the practice of the Chinese revolution, a crystallization of the collective wisdom of the CPC." This clearly tells us that as a scientific system, Mao Zedong Thought does not embrace Comrade Mao Zedong's errors. For instance, the numerous theories and policies advanced by Comrade Mao Zedong in his later years on the "Great Cultural Revolution" ran against Marxism-Leninism, rather than being the application and development of Marxism-Leninism in China; they have been proved erroneous rather than correct by practice; and they were the product of sabotaging collective leadership and violating democratic centralism rather than the crystallization of collective wisdom. These errors do not conform with the basic tenets and spirit of Mao Zedong Thought and naturally they cannot and must not be included into the category of Mao Zedong Thought. Therefore, only when a distinction is made between Mao Zedong Thought and the errors committed by Comrade Mao Zedong in his later years, can we begin to talk about being truly loyal to Mao Zedong Thought and really holding high the banner of Mao Zedong Thought.

Comrade Deng Xiaoping pointed out that we should not consider every sentence spoken or written by Comrade Mao Zedong correct but should acquire a comprehensive and accurate understanding of Mao Zedong Thought. Is this argument not harmful to the image of Comrade Mao Zedong? Some people worried about this. Facts have proved that such worries are groundless. While fully affirming the great contributions of Comrade Mao Zedong, our party criticized and corrected the errors Comrade Mao Zedong committed in his later years. Comrade Deng Xiaoping emphatically pointed out on numerous occasions that compared with his great contributions, Comrade Mao Zedong's errors are less important and thus secondary. His contributions far outweigh his errors. To criticize and correct the errors committed by Comrade Mao Zedong in his later years in a truth-seeking manner will not only not tarnish his image but will recover it from a godlike state and make it human again, and will thus further safeguard the high position he enjoys in Chinese history as a great revolutionary and theoretician. The errors committed by Comrade Mao Zedong in his later years are after all errors of a great revolutionary and Marxist. His views and deeds were

completely open. Similarly, Comrade Deng Xiaoping did not attempt to cover up Comrade Mao Zedong's errors with his merits nor try to obliterate his successes with his failures. This thoroughly materialist approach of Comrade Deng Xiaoping, which is true to facts and truth, is also completely open.

## II

In the course of repudiating the "leftist" errors and correcting dogmatism and personality cult, in addition to the fact that some people found themselves having difficulty in understanding the situation, there were still other people who spread erroneous views and statements that cast doubt on and denied the truth of Mao Zedong Thought. Persistently upholding the proletarian revolutionary stand and removing all kinds of both "leftist" and right obstructions, Comrade Deng Xiaoping profoundly expounded, in the light of the historical experience of the Chinese revolution and actual conditions, the great significance and role of Mao Zedong Thought and sternly refuted all descriptions of erroneous views that cast doubt on and denied the truth of Mao Zedong Thought. He earnestly pointed out: "We must hold high the banner of Mao Zedong Thought not only today but in the future as well." "We will make a grave historic mistake if we cease to adhere to Mao Zedong Thought." (pp 255 and 264)

Why did Comrade Deng Xiaoping raise this question in such a way? This is because Mao Zedong Thought was and is really too important to the Chinese revolution and construction.

First, Mao Zedong Thought is the banner of the Chinese revolution. Without Mao Zedong Thought, there would have been no new China. Comrade Deng Xiaoping pointed out: "Without Chairman Mao, we, the Chinese people, would have had to grovel in the dark for a longer time, to say the least. The greatest contribution of Chairman Mao is that he integrated the principles of Marxism-Leninism with the practice of the Chinese revolution and pointed out the road of winning victory in the revolution in China." (pp 303-304) In more than 100 years, beginning from the Opium Wars, the antifeudal struggles of the Chinese people experienced numerous tragic failures. It was precisely and only Mao Zedong Thought that enabled the Chinese people to find out the correct road to revolution and to win liberation in 1949, to found the PRC, and to establish the socialist system on the basis of the basic completion of the socialist transformation of the means of production in 1956. A new, brilliant, socialist China stood lofty and firm in the East of the world. This has not only fundamentally changed the fate of China but also changed the world situation. Historical facts have told us that Mao Zedong Thought is as close as flesh and blood with and has a direct bearing on the Chinese revolution and its victory. Negating Mao Zedong Thought means negating the history of the Chinese revolution and its victory.

Second, the theory of Mao Zedong Thought on socialist construction still plays a direct guiding role in our socialist course. Comrade Mao Zedong did make some mistakes in guiding the socialist construction but many



correct theories and tactics he advanced in the course of exploring the road to socialist construction are still of immediate significance nowadays. For instance, he contributed the strategic ideology of mobilizing all positive factors and uniting with the people of all nationalities throughout the country jointly to build a strong socialist country; he repeatedly stressed that it is necessary to proceed from the reality that China is a big agricultural country to correctly handle the relationship between agricultural and light industry on the one hand and heavy industry on the other and to arrange the national economic plan in order of agriculture and light industry going first and heavy industry coming next rather than mechanically applying foreign experiences everywhere; he pointed out that under the socialist system there exist two kinds of social contradictions, differing in nature, and that they should be strictly distinguished from each other and correctly handled; he proposed that we should follow the policy of "long-term coexistence and mutual supervision" in the party's relation with the democratic parties and the policy of "let a hundred flowers blossom, let a hundred schools of thought contend" in science and culture; he pointed out that in the economic sphere, we should follow the policy of overall arrangement and of consideration for the interests of the state, the collective, and the individual, all three; and he laid particular stress on the policy of giving priority to self-reliance with winning foreign aid as a complement, and so on. We must earnestly adhere to these numerous important ideas in our practice today. Comrade Deng Xiaoping said: "In many respects, what we are doing is what Comrade Mao Zedong suggested we should do but have failed to do, setting right what he mistakenly opposed, and doing a good job in what he failed to do properly. We will continue to do so for a long time to come." (p 264) Facts are really so. The line, principles, and policies pursued since the 3d Plenary Session of the 11th CPC Central Committee are formulated under the guidance of Mao Zedong Thought, and their fundamental spirit and fundamental tenets are derived from Mao Zedong Thought.

Third, the scientific world outlook and methodology embraced in Mao Zedong Thought are a powerful weapon for us to understand and transform the world. The "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" pointed out: Comrade Mao Zedong applied dialectical and historical materialism to the entire work of the proletarian party, giving shape to the stand, viewpoint, and method so characteristic of Chinese communists in the course of the Chinese revolution and its arduous, protracted struggles. This stand, viewpoint, and methods boil down to three basic points: to seek truth from facts, the mass line, and independence. They form the living soul which runs through the whole body of Mao Zedong Thought and are of the most universal and instructive significance. Comrade Deng Xiaoping has important and precise expositions on these three basic points. He said: "Of the work style advocated by Comrade Mao Zedong, the mass line and to seek truth from facts are two things of the most fundamental importance." (p 42) "Independence and self-reliance have always been and will forever be our basic stand." (p 372) He repeatedly stressed that "seeking truth from facts" is the basis of the proletariat's world outlook, the starting point and the point of basic importance and the quintessence of Mao Zedong Thought. It will never be

out of date. "It is because we adhered to the principle of seeking truth from facts that we won all the victories in the revolution in the past. Similarly, in striving for the four modernizations today, we still have to adhere to this principle." (p 133) Comrade Deng Xiaoping has not only affirmed in general the historical and immediate significance of Mao Zedong Thought but also fully affirmed the guiding role of Mao Zedong Thought at present and in the future in terms of the higher plane of world outlook and methodology, thus providing scientific deliberations and theoretical explanations for forever upholding Mao Zedong Thought.

Judged from the angles of history or reality and of theory or practice, setting the criticism of dogmatism and personality cult and the correction of the errors Comrade Mao Zedong committed in his later years against adherence to Mao Zedong Thought or taking the opportunity to spread the views and sentiments that doubt and negate Mao Zedong Thought is all wrong. "Mao Zedong Thought is always the most precious spiritual wealth of the entire party, army, and people of various nationalities of the whole country." (p 139) This is our basic stand, which permits no violation or wavering.

### III

Practice is advancing and theory needs to be developed. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has not only upheld Mao Zedong Thought but more importantly, developed Mao Zedong Thought. Comrade Deng Xiaoping has thrown all his energy into the adherence to and development of Mao Zedong Thought, thus making contributions in this respect.

Materialist dialectics shows that adherence and development are both close and indivisible. Adherence provides the point of departure and foundation for development while development is the process and the way of adherence. It is wrong to talk about development in the absence of adherence or to talk about adherence without development. Only the organic integration of the development based on adherence and adherence in the course of development can be considered real adherence and development. "The tree of life is evergreen." If a theory is not combined with practice and not developed with the development of practice, it will become a withered and ossified thing and will lose its vitality and the value of its existence. We communists must, instead of cutting off Mao Zedong Thought from social life and making it stagnate, constantly enrich it with new practice experience and steadily develop it. Comrade Deng Xiaoping has expounded this truth on numerous occasions. He pointed out: "Since we will be upholding the banner of Mao Zedong Thought, we should work from realities every time we adopt new principles and policies. In our endeavors to realize the four modernizations program, we have now a great number of conditions which did not exist in Comrade Mao Zedong's lifetime. If the present party Central Committee had not based its decisions on the current situation, it would have been unable to raise and then answer many questions." (p 122) "We must make a thorough study of the new situations and new problems cropping up in the course of realizing the four modernizations and find

out the solutions of great instructive significance to them. This will be the great contribution of our ideological and theoretical workers to Marxism and the real holding high of Mao Zedong Thought." (pp 165-166) All people who are genuinely loyal to dialectics know that developing Mao Zedong Thought is not only the objective demand of the course of history but also the inevitable logic of Mao Zedong Thought itself.

Marxism-Leninism has in no way exhausted truth and such is the case with Mao Zedong Thought. Comrade Mao Zedong himself long ago pointed out that Mao Zedong Thought should be developed. In 1958, in talking of the 10 major principles of operation, Comrade Mao Zedong pointed out: "The 10 major principles are still applicable at present. They can be applied in many respects in the future. However, Marxism-Leninism is forging ahead rather than ceasing to develop. The 10 major principles should also be substantiated and developed and some even revised in the light of the actual realities of coming wars." (Quoted in Xu Xiangqian's article entitled "Strive for the Realization of the Modernization of National Defense," published in RED FLAG No 10, 1979) Later, in talking about philosophy, Comrade Mao Zedong also said: We have entered the era of socialism. A series of new problems has cropped up. It is also no good exclusively relying on "On Practice" and "On Contradiction" and not writing new works and not producing new theories. Comrade Mao Zedong time and again pointed out: We still lack experience in and knowledge about socialist construction, and there are still many aspects in the realm of necessity that we have not yet understood. However, it was impossible to develop Mao Zedong Thought at a time when the personality cult became the order of the day and dogmatism spread unchecked. After the smashing of the "gang of four," Comrade Deng Xiaoping once again formulated this task and started carrying it out in real earnest.

How have Comrade Deng Xiaoping and our party developed Mao Zedong Thought on the basis of adhering to it? As we all know, in Mao Zedong Thought, what is of basic importance lies in the integration of the universal truth of Marxism-Leninism with the realities of China and in the scientific conclusions derived from the truth-seeking analysis of the concrete practice of the Chinese revolution, conclusions which led the Chinese revolution to victory. It is precisely by following this principle that Comrade Deng Xiaoping and our party have tested Mao Zedong Thought with both historical and current practical experiences and integrated the universal truth of Marxism-Leninism with the practice of our socialist construction, and thus enriched and developed Mao Zedong Thought. This development by and large boils down to the following aspects: First, setting things to rights and reaffirming and elucidating some correct ideas which were negated by the "Great Cultural Revolution" and by the "leftist" mistakes prior to it; second, replacing the outdated conclusions with some new conclusions suited to the present realities; third, substantiating and enriching the existing basic principles with new practical experience so as to make them more complete and more objective; and fourth, studying new developments, solving new problems, and advancing some new theories and tactics in the light of the practice of the socialist modernization program. These several aspects center around one thing, that is, exploring and seeking a

concrete path for China's socialist construction so as to ensure the victorious advance of socialist construction. Comrade Deng Xiaoping pointed out: "Just as China's past revolution had to accord with the country's realities and use the villages to surround the cities and then take the cities, as Comrade Mao Zedong pointed out, the country's present construction also has to accord with its realities and carve out its own way to modernization." "To integrate the universal truth of Marxism with the concrete realities of China, to blaze a path of our own, and to build socialism with Chinese characteristics--this is the basic conclusion we have reached in summing up long, historical experience." (pp 149 and 372) "To blaze a path of Chinese-style modernization" and "to build socialism with Chinese characteristics" is the fundamental guiding ideology Comrade Deng Xiaoping advanced for China's socialist construction and also the fundamental task he pointed out for developing Mao Zedong Thought during the period of socialist construction.

In his speech entitled "On the 10 Major Relationships," published in 1956, Comrade Mao Zedong advanced the task of exploring a road to socialist construction which was suited to China's national condition. However, he failed to complete this task and, in particular, because he became divorced from the principle of seeking truth from facts and of proceeding in everything from reality, a principle which he had invariably advocated, he was unable to find in an overall manner the correct way to build China's socialism. This lesson is extremely profound. It vividly indicates that the integration of the universal truth of Marxism-Leninism with the realities of China is the victorious road to the revolution and to construction as well and the road to the formation of Mao Zedong Thought and to the adherence to and development of Mao Zedong Thought, too. After the smashing of the "gang of four," and, in particular, since the 3d Plenary Session of the 11th CPC Central Committee, our party has retaken this road; our socialist cause has again significantly advanced; and Mao Zedong Thought--the party's guiding ideology--has also substantially developed.

Over the last few years, in accordance with the basic principles of Marxism-Leninism-Mao Zedong Thought, our party has applied the stand, viewpoint, and method of dialectical materialism and historical materialism in conscientiously studying China's national condition and characteristics and in scientifically summing up the experiences and lessons of the 30-odd years since the founding of the PRC, and has paid close attention to the creation of the masses of people in practice, thus acquiring an extremely deep understanding of the laws governing the development of socialism and correctly solving a series of important problems cropping up in the course of China's socialist cause. Our party has gradually found the correct road of socialist construction, a road suited to China's national condition. Through our fruitful efforts of the past few years, we have at last ironed out all kinds of difficulties created by Lin Biao and the "gang of four" and ensured the healthy development of Chinese political life and China's construction. The great project of "building socialism with Chinese characteristics" is being victoriously carried out. These are the great contributions of our party for the Chinese people, including the outstanding contributions of Comrade Deng Xiaoping.

Comrade Deng Xiaoping is one of the worthy representatives of the older generation of Chinese proletarian revolutionaries reared on Mao Zedong Thought. He worked with Comrade Mao Zedong for a long time and has a profound understanding of Comrade Mao Zedong's historical position and the quintessence of Mao Zedong Thought. He attaches great importance to Mao Zedong Thought but has never enslaved himself with a few isolated words and phrases from Mao Zedong's works. He is a creative Marxist. Historically, he has made contributions in the formation and development of Mao Zedong Thought. In the last few years, he has again set an example in upholding and developing Mao Zedong Thought. The "Selected Works of Deng Xiaoping" is an outstanding example of the integration of theory and practice and an important document which upholds and develops Mao Zedong Thought. We must earnestly study the "Selected Works of Deng Xiaoping," comprehensively and accurately understand and master Mao Zedong Thought as a scientific system, raise our ideological and political level, and enthusiastically plunge into the great cause of the socialist modernization program.

CSO: 4004/43

## SCALE OF CAPITAL CONSTRUCTION MUST BE SUITED TO THE COUNTRY'S CAPABILITY

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 7-9

[Commentator's article]

[Text] In the Government Work Report made at the First Session of the Sixth NPC, Zhao Ziyang stressed again that the scale of construction had to be suited to the country's capability. Theoretically and practically speaking, this is an extremely important issue, as well as an urgent issue which we must adopt practical measures to solve in our present economic work.

Since the latter half of last year, the CPC Central Committee and the State Council have become aware of the problem of overexpanding the investment in capital construction, and issued a timely nationwide warning. In a report made at the Fifth Session of the Fifth NPC last November, Comrade Zhao Ziyang announced five stipulations by the State Council on controlling the overall scale of investment in capital construction. The State Council further promulgated six supplementary stipulations since that NPC session. Some localities, departments, and enterprises, however, still continue to expand blindly the scale of investment in capital construction. They even draw on capital which is intended for equipment replacement and technological transformations to invest in capital construction. In 1982, the total investment amount of capital construction of the units owned by the whole people exceeded the planned level by 11 billion yuan, and was an increase of 11.2 billion yuan over the previous year. From January to May this year, the investment total of capital construction has further increased by 17.3 percent over the same period of last year. Since capital construction has received too much investment too much, supplies of rolled steel, timber, and cement fall short of demand; the situation of utilizing energy resources and transportation, which had been relaxed some time ago, has become tense once again. The phenomenon of production and maintenance being squeezed by construction and light industry being squeezed by heavy industry has already occurred in some localities. The overexpansion of scale of investment in capital construction, which exceeds the limits of financial and material resources that the country can afford, is an outstanding problem amidst the present economic construction. We must pay close attention to the situation.

We have learned some profound historical lessons on the problem. Since the founding of the state, we have established an independent and relatively integrated industrial system, have transformed the irrational distribution of industry, and have improved the production capability of the whole national economy after years of capital construction. These achievements are widely known. Our experience over the years, however, is that once the situation turns better, people are apt to be impatient for success, carry out projects in a big way, establish new organizational structures, and directly push the accumulative rate to go beyond its proper limit, causing serious dislocation in the national economic proportionate relationships.

In the light of our history, our country has experienced three periods of large-scale expansion in our investment in capital construction.

The first period of large-scale expansion occurred from 1958 to 1960. When the "Great Leap Forward" started in 1958, we were so excited that we set high targets and carried out capital construction projects in a big way. The amount of capital construction investment of all units owned by the whole people reached the level of 26.9 billion yuan in 1958, an increase by 12.6 billion yuan when compared with the figure in 1957. The amount further increased to 35 billion yuan in 1959 and then 38.9 billion yuan in 1960. The accumulative rates for the 3 consecutive years were as high as 33.9 percent, 43.8 percent, and 39.6 percent respectively. From 1958 to 1960, the number of staff and workers rose tremendously while the economic results were declining, resulting in financial deficits year after year. Since dislocation in proportional relationships in the national economy was so serious, we could not but start readjustments in 1961.

The second large-scale expansion occurred in 1970. The amount of capital construction investment of all units owned by the whole people was 31.3 billion yuan in that year, an increase of 11.2 billion yuan when compared with the 20.1 billion yuan in the previous year. The accumulative rate was 32.9 percent and it continued to increase. Since the growth of investment in capital construction was too rapid, together with the troubles caused and sabotage by the Lin Biao clique, the economic construction was seriously damaged.

The third large-scale expansion occurred in 1978. Since we underestimated the disastrous effect of the 10 years of internal disorder, overestimated the economic situation at that time, and impatiently carried out economic projects after smashing the "gang of four," the amount of capital construction investment of all units owned by the whole people in that year suddenly increased to 50.1 billion yuan, an increase of 11.9 billion yuan when compared with the previous year, and the accumulative rate was 36.5 percent. Though we put forward readjusting the national economy in the spring of 1979, the scale of capital construction in 1979 and 1980 was still out of control because the "leftist" influence in economic construction was not yet eliminated, and the characteristics of this expansion were that there were many large-scale construction projects and import equipment in complete sets which were difficult to abandon. Only when the

CPC Central Committee resolved to readjust further in late 1980 could the scale of capital construction in 1981 be under control, which played a decisive role in achieving a stable and healthy developed economy.

The national investment in capital construction once again went out of control last year. The amount of investment of all units owned by the whole people rose sharply from 44.3 billion yuan to 55.5 billion yuan in that year. The conditions for this expansion were different from those for the past three expansions. Investment in capital construction was basically under control in the state budget, but the extrabudgetary capital was increased so rapidly that the capital construction which was carried out by localities, departments, and enterprises by fundraising and bank loans increased in amount.

The present situation is that the overall scale of capital construction has already exceeded the limits which the country can financially afford and material resources can provide; whereas many projects' investment orientation is inconsistent with the general interests of the national economy. Since the growth of capital construction investment exceeds the provision limit of the means of production, there is a "gap" in material supplies, which has already caused a drop in the rate of delivery and utilization in the fixed assets, from 86.6 percent in the previous year to 74.4 percent in 1982; the rate of house completion dropped from 51.9 percent in the previous year to 50.5 percent in 1982, which is the lowest percentage in recent years. Since the investment in capital construction is overexpanded as well as overdiversified, the key construction of the state cannot be assured, and the absolute amount of investment in energy resources and transportation is instead reduced. In 1982, only 50 percent of the investment in capital construction was directly allocated by the state, and the rest was allocated by localities, departments, and enterprises. The diversification of investment in capital construction has reached such an extent that it has become unprecedented in our history. We must realize that if we do not control the investment in capital construction below suitable level but allow it to expand unchecked, it will inevitably cause dislocation in many aspects, such as accumulation and consumption, the production and long-term construction of every year, industry and agriculture, and heavy and light industry. And the achievements which we have made in economic readjustments in recent years will probably have been in vain.

As early as 1956, Comrade Chen Yun already put forward this important problem, that is, the scale of capital construction must be suited to the country's capability. Before the 3d Plenary Session of the 11th CPC Central Committee, the erroneous "leftist" guiding ideology still held a major position in economic construction, and we could not handle matters according to this guiding ideology; but after the 3d Plenary Session of the 11th CPC Central Committee, we have already put forward extremely clear principles on the problem through bringing order out of chaos in the whole guiding ideology. But why is there still a problem? It is because we must continue to overcome the ideology of overdemanding and impatience in economic construction among people, even though we are under the correct guiding ideology of the CPC Central Committee and in the process of



implementing the resolutions of the CPC Central Committee. Only by acting in this way can we handle matters to the letter according to the principles of the CPC Central Committee. Our country entered the socialist society from a semicolonial and semifeudalist society. We have eliminated the exploitation system and the exploitation class, but our country is still not lifted out of poverty and backwardness. Our party, not only a handful of leaders but also the broad party members and cadres, has the eagerness to make our country prosperous and powerful, and basically to change the well-being of the people as soon as possible, which is positive and means that they think about the interests of the people. As communists, however, we must not start purely from desire but must proceed from reality. If we deviate from the specific conditions of our country, overdemand, or are impatient, we will be unable to achieve our desire or will even develop contrary to our wishes. We must coolheadedly realize that only when we proceed from the practical conditions in China, handle matters according to the Chinese national conditions, and do a good job in building socialism with Chinese characteristics, can we fully and correctly represent and put together the wishes of the broad masses to transform the situation of our country.

What are the national conditions of our country then? The most primary national conditions are: a vast, populous country with poor foundation and low standards. In January 1980, Comrade Deng Xiaoping once said: "We must always bear in mind that our country is a vast, populous country with poor foundation. Only through long-term struggle can we catch up with the standards of the developed countries." In the Government Work Report made at the First Session of the Sixth NPC, Comrade Zhao Ziyang also pointed out: "Our country is a developing socialist country with a large population and relatively poor foundation in material and technology, which determines the protracted, arduous, and complex nature of our capital construction." Proceeding from this basic national situation, our conclusion can only be: We must act according to our capability, proceed in an orderly way, carry out "state planning like playing a game of chess," and build modernizations systematically and step by step.

To act according to our capability and to proceed in an orderly way mean that we must carry out construction within the limits that our country can financially and materially afford, that is, run business according to the financial and material resources. In addition, we must handle works in order of importance and urgency, centralize the capital, and ensure the key constructions. One of the most important reasons for the overexpanded scale of capital construction is that we do not act according to our capability or proceed in an orderly way. What does the limit of "capability" mean here? It is our effort to maintain balances of financial revenue and expenditure, credit, and demand and supply of material resources; and financial resources are backed by material resources. In light of principle, distribution of material resources must ensure first the minimum requirements of the production departments which produce daily necessities, then comes the requirement of departments which produce necessary means of production. Only the rest of the resources other than reserves can be utilized for capital construction and expanded reproduction.

This is the limit of "capability." If we carry out capital construction below a certain limit and utilize its capital and material resources on daily consumption, the development of production will be delayed and hindered; if we carry out construction above a certain limit and utilize the capital and material resources of daily consumption for expanded reproduction, the improvement of people's living standard will be hindered, and the initiative of the masses will be adversely affected.

To carry out "state planning like playing a game of chess" here means that all localities, departments, and enterprises must submit themselves to the planned administration of the state. A large scale of social production requires a certain degree of proportionate relationship. Under the capitalist system, this kind of proportion is achieved through market fluctuations and economic crises. But under the socialist system, it can only be achieved by planned administration and adjustment of the state while market adjustment is just a kind of subsidiary means. In our vast and populous country, natural and economic conditions of all localities are different and development is extremely unbalanced. It is inconceivable that all localities, departments, and enterprises can undertake every aspect at once. That kind of experiment, like "a horse galloping and 10,000 horses following" in the past has ended in failure. It is also impracticable that those localities, departments, and enterprises which have begun to emerge must undertake the goal of quadruplication as their target. Therefore, all localities, departments, and enterprises in our country must submit themselves to the united plans of the state under the preconditions of carrying out "state planning like a game of chess." Centering on the improvement of overall social and economic results, they must also bring the initiatives of their localities, departments, and enterprises into play. Only this kind of initiative will accord with the demands of the law of planned proportionate development, and bear spontaneous and useful nature, otherwise it is unrealistic and harmful. We should explicitly state a point now: We must strictly control the investment in capital construction; not only the investment and projects included in the budget but also extrabudgetary investment and projects, as well as having to change our attitude of non-interference toward them. In addition, we must control the utilization of capital for technological transformations and depreciation, and root out the phenomenon of utilizing the capital of technological transformations and depreciation for capital construction. Only by acting in this way can we ensure that our economic construction will follow a new road in which the accumulation is relatively suitable, the speed is relatively practicable, the economic results are relatively better, and people can gain more material benefit rather than following the same old way of "high accumulation, high speed, but inefficient and low consumption."

Furthermore, we must implement a series of scientific methods which strictly follow the law of capital construction and are in accordance with the order of capital construction. For a long period of time, many of our capital construction projects have been hastily carried out without preparing necessary work in advance, such as investigation, design, technical proving, and economic feasibility proving. Once the projects have started, there is no strict construction administration and responsibilities system to

check them and the practices of spending extravagantly and making supplementary budgets at will prevail. In addition, various parties of the projects apportion their expenses to the capital construction so arbitrarily that it has now reached the level of extortion. But we are helplessly watching the treasure of the state being wasted on a large scale and find nobody who wants to bear responsibility or find ways in which we can seek the responsible persons. This is one of the most important reasons for having protracted and low-benefit capital construction, and the phenomenon of numerous holdups and waste in the work through poor organization, which we must determinedly root out now.

CSO: 4004/43

RESOLUTELY CURB THE UNHEALTHY TRENDS OF ARBITRARILY INCREASING PRICES AND EXACTING CHARGES!

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 10-12

[Article by Jing Ping [2529 1627]]

[Text] During the latter half of 1982, the prices of production means such as steel, timber and cement, which had been fixed by the state, rose arbitrarily. Some enterprises fix ex-factory prices on their own under a great variety of pretexts such as collecting "service charges" or demanding "compensation for loss." The prices of some production means sold by individual enterprises rose even higher. Some localities and units even overcharged key construction units. The situation got worse this year. Recently, the State Council and the Discipline Inspection Commission of the CPC Central Committee jointly sent out an urgent circular about curbing the arbitrary increase of prices of production means and the practice of exacting charges from key construction units. Various localities, departments and enterprises are required to put into effect some strict measures stipulated by the council and the commission.

Being a planned economy, our state has been carrying out a planned pricing system with regard to those major production means and basic consumer goods which have a bearing on the national economy and the people's livelihood. The implementation of such a system is one of the means to ensure a planned development of agricultural production, to maintain normal economic order, and to safeguard the well-being of the people.

The prices of major production means, which are unified and fixed by the state, should not be willfully altered for they have a close relation to the production cost of industry and agriculture, the distribution of national income, the overall balance of key resources and a planned and proportionate development of the national economy. The readjustment of prices should be thoroughly considered and arranged by the state and it should be carried out step by step and in a planned way.

No localities, departments or enterprises can raise prices on their own. One of the fundamental principles of a planned pricing system is that the prices of those goods and materials which require centralized distribution should be fixed by the state and difference in prices should not exist.

An arbitrary price raising is sure to cause undesirable effects on national construction and the well-being of the people.

The arbitrary price rises of production means will trigger off an unreasonable redistribution of national income. Price is an important economic lever which regulates the distribution of national income. The prices of major production means are generally fixed on the basis of the products' value. Much importance is attached to the principle of boosting production and promoting circulation. Consideration is also given to the deserved interests of the central government, localities, production departments and enterprises. During the course of production development, a steady growth in state revenue and the proper income of the localities and enterprises can be ensured only when the state pricing system is strictly carried out. If the state pricing system is violated, the state will lose part of its projected revenue which is transferred instead to small units and individuals. Moreover, a batch of production construction units will have to shoulder a heavier burden. Consequently, the state will have to pay up such additional costs in production and construction. At present, the expenditure caused by arbitrary price-rises is estimated to be 20 to 30 percent of the total industrial cost. The state suffers an annual loss of over 10 billion yuan in its revenue. The total industrial output value registered an 8.2 percent increase from January to May 1983. However, the state revenue only increased by 0.1 percent. The transfer of revenue to small units and individuals could account for such a slack growth. The state needs a huge amount of capital to implement the four modernizations. As the state has determined to raise capital, how can its key construction be safeguarded and the four modernizations implemented if its capital is dispersed or lost through arbitrary price-raising and the practice of exacting charges?

Arbitrary price rises will have an impact on the planned distribution of major materials and goods. It will also do damage to the planned proportionate development of the national economy. In China, major production means are produced and distributed in a planned way with due consideration given to the overall balance of the national economy. Strict implementation of the state pricing system is one of the major requirements of planned production and distribution. Profiteering is seen in cases where the supply of some production means falls short of the demand. Usually, the greater the profit is, the larger the extent of profiteering. Unprofitable goods will not be produced. As a result, production plans are not ensured. In the course of implementing planned distribution, materials were not distributed to those designated units and readjustment was not made to those which needed it, planned products were being made use of as a means of "coordination," goods of poor quality were used to replace planned materials and goods, and many production means were taken up by units engaged in unplanned production and construction. Goods and materials needed by key factories and mines and key construction projects were not safeguarded. Consequently, the implementation of national economic plans was interfered with, and the four modernizations were severely hampered.

Is arbitrary price-raising advantageous to enterprises? On the surface, it will increase the income of enterprises and will seem advantageous at the time. In reality, it is detrimental to the strengthening of business management and to the facilitating of enterprises and to the improvement of economic results. Our enterprises are socialist ones. An increase in the income of enterprises should rely on the increase in production, improvement in management, and the lowering of cost. Such an increase of income is beneficial to the state, to the enterprises, and to the individuals. Any increase in income from an arbitrary price rise will not correctly reflect the management results of enterprises, facilitate enterprises, or improve business management. On the contrary, it will cover up the problems in enterprise business management and make enterprises compete against the state for benefits.

Arbitrary price rises and charge-exacting will provide opportunity for unhealthy trends to develop. If such unhealthy trends are not curbed, undesirable social trends and economic criminal activities cannot be stopped, and party discipline is hard to improve.

Some comrades maintained that "the pricing of production means is the internal transfer of value of industries and will not have any external impact." Such a point of view is incorrect. Different departments of the national economy are mutually related. A certain portion of the products under the First Category are exchanged internally within the category. Because a majority of them are interim products, they will eventually be transferred to the final products via circulation through the Second Category. Therefore, any price changes within the First Category will be reflected through the exchange between the two categories, and its impact will emerge on the prices in the Second Category. Moreover, a majority of the raw materials and fuel used in the enterprise production of the First Category is directly supplied to be used in the Second Category enterprises. Certain products such as timber, steel and coal are directly utilized by the people. How can it be said that arbitrary price rises have no external impacts?

The idea that "I raise the prices and you are willing to buy, it is a voluntary transaction," is incorrect. The prices of the major production means are supposed to be unified and stipulated by the state.

Nobody other than the State Council has the right to raise prices. Moreover, "voluntary transaction" is only a superficial phenomenon. Production units arbitrarily increase prices and exact charges and units in urgent need are forced to accept such prices. After having produced their products, the units which are forced to accept very high prices will force some other enterprises or consumers to accept their products at even higher prices. In this way, the recycling of price rises is no longer a "voluntary transaction" between two enterprises, but one which will endanger the benefits of the society as well as those of the people.

We insist on the implementation of a planned pricing system for major production means. To have the prices of major production means unified and

fixed by the state does not mean that we do not want to continue activating the economy. It is necessary to uphold the principle of the leading role of the planned economy and the supplementary role of market regulation. Planned production and circulation is the main part of our national economy. Meanwhile, it is essential and beneficial that under planned guidance, the production and circulation of certain products should be allowed to be readjusted by the market. For a long time, the system of pricing management, like the entire economic system, triggered off the problems of overcentralization. To cope with the sophisticated and varying product categories of agriculture and industry, it is necessary to restructure the pricing management system and readjust the unreasonable prices of certain products. Since the third plenary session, we have fixed a range for price fluctuation of certain engineering and electrical products as well as agricultural machinery. We have lifted the restriction on the prices of three small commodities and this has already shown favorable effects on facilitating production and activating circulation. However, while relaxing the pricing system of various nonmajor industrial and agricultural products, we must hold to the planned pricing system of the major production means and basic consumer products. This is an important action to uphold a planned economy as well as major safeguard to activate the economy. If the major areas are well managed, the minor ones can be opened up and activated. Otherwise, local and departmental enterprises will set and raise prices arbitrarily, and product pricing will go out of control and the economy will be in a mess.

Why were the prices of the major production means out of control and why did prices rise arbitrarily in the past year or so? The reasons are manifold: The concept of enterprising plans in certain localities and departments was weakened. The reason for the weakening was that partial benefits were gained at the expense of the overall situation. This led to a violation of the policy of planned pricing, and the national benefits were hampered because of partial benefits. Policies to activate the economy, to decentralize certain powers, and to expand the autonomy of enterprises were implemented in order to mobilize the enthusiasm of localities, departments, enterprises and the masses and to strengthen our national economy. In the absence of proper understanding of this question, the expansion of power and activation of economy will tend to overstress individualism, diversification and liberalization. This would weaken and undermine the national unification plan. Therefore, we must educate comrades in localities, departments, and enterprises to put the national benefits before everything. Only when the relationship between enterprises and the state is properly balanced can national plans be strictly executed, and the contradictions encountered in the course of execution be appropriately tackled. There are also objective reasons such as the expansion of the basic construction scale. Product pricing and the relationship between demand and supply are also related. Within a certain period of time, the society can produce and supply a certain amount of the means of production. Prices are stable when basic construction and social reproduction are arranged in accordance with the supply of the production means. When the scale of basic construction is excessively expanded and the supply of major raw materials falls short of demand, enterprises will take

advantage of this and raise prices. All in all, to strictly control the scale of basic construction is the real solution to curb the unhealthy trends of arbitrarily increasing prices and exacting charges.

At present, in order to stabilize the prices of the production means and to curb the unhealthy trends of arbitrarily increasing prices and exacting charges, we must strengthen education on the legal system, and tighten up the disciplines of finance and economy. We must reiterate: Under the ownership by the whole people, the production means of enterprise products such as steel, iron, cement, timber, and coal--with prices fixed by the state--should carry out state-stipulated prices regardless of whether they fall within the planned production, outside the planned production or exceed the planned production. Any extra prices or charges, imposed on consumers, that have violated the state's stipulation, should be cancelled. All illegal income, which is raised by illegal price increases or extra charges, should be confiscated and handed to the finance department. Different charges on different construction projects raised by different units should be handled on an individual basis.

In the meantime, the coordination and distribution of commodities of key enterprises must be carried out according to national plans, the acceptance of orders, production according to demand, and planned distribution. Localities, departments, and enterprises should not make use of, retain, or sell commodities without authorization. At present, the portion of material resources held by the state as against the overall national material resources is decreasing. But there is an increasing demand for materials and goods to be supplied by the state. The state cannot safeguard the needs of key constructions if it does not centralize the essential production means. Some enterprises are allowed, to a certain extent, to sell a portion of their products, but the scope and proportion to be self-marketed and the scope and proportion of products to be retained by localities should be strictly carried out in accordance with the state stipulation and cannot be expanded arbitrarily. Excessive materials and goods produced by key enterprises must also be proportionally handed to the state for unified distribution. While distributing raw materials and fuel, the state should maintain an overall balance and practice the principles of giving the superior enterprises top priority so that the needs of the key units are met and the ordinary ones are also attended to. In coordinating and distributing materials and goods, the state should give priority to enterprises making products that meet social demand, that are of good quality and low cost. Supply to enterprises producing inferior-quality, high-cost yet unsalable products, should be curbed or stopped. We must give priority to safeguard the needs of the state's planned key construction items, make arrangement for the needs of other aspects and stop supplying to blind construction projects that fall beyond our plans. We must regard planned distribution and supply to important production means as an important strategy to stop blind production and construction. We must also make good use of this strategy to facilitate the readjustment of enterprise structure and product structure, to facilitate the rationalization of investment structure and to facilitate the improvement of production, construction, and economic results.



## ASSESS SOCIALIST SOCIETY WITH THE THEORY OF DEVELOPMENT OF DIALECTICAL MATERIALISM

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 13-17

[Article by Lu Zhichao [4151 0037 6389]]

[Text] 1. We have often heard people of various circles talking about the problems related to the implementation of the party's current policies and the strengthening of communist ideological education. On the one hand, there are some people who have seen the fine results which have been brought about by the promulgation and implementation of the policies formulated by the party since the 3d Plenary Session of the 11th CPC Central Committee concerning enlivening our domestic economy and opening up to the outside world, but who are full of worries and doubt about whether this practice is socialist in nature and whether it is too removed from the communist principles of Marxism. On the other hand, there are other people who, though warmly supporting these policies, do not understand the question of why, under the present conditions, we should emphasize the guidance of the communist ideological system and strengthen our education in communism among the masses. They doubt whether this is a reasonable practice and whether it is not a practice of telling lies and engaging in telling lies, and talking big and empty. These two views have raised a common question, namely, the question of how we should use the Marxist theory on development to assess our socialist society.

2. Marx regarded communist society as a society developed from the capitalist society and pointed out that in the first stage of the communist society, the socialist society cannot be freed from the relics and the fetus of the old society that gave birth to it. This reminds us that we should not forget any of the legacies and practical foundations which help us build the new society. We must note the following very important words of Marx: "In discussing any stage of history, we will meet a certain amount of material achievements, a certain total sum of productive force, and certain relations between human beings and nature and between human beings themselves which have taken shape in the process of history, and the large amount of productive force and funds and the surroundings which a later generation of people have inherited from the preceding generation. Although these productive force, funds, and surroundings will be changed by the new generation, on the one hand they regulate beforehand the living

conditions for the new generation, and enable these conditions to develop and acquire some special features." ("Selected Works of Marx and Engels," Vol 1, p 43) Marx' method of using the dialectic materialist theory of development to assess the development of human history can also be applied to today's socialist society.

3. When Marx expounds on and proves the emergence and development of communism, he proceeds from the norm of history and regards communism (including its first stage) as being developed from mature capitalism. In applying this view to China, it is even more necessary not to fail to realize the "special features" of the "living conditions" and development that "history has prescribed" for us. Our new society has not emerged from the womb of an ordinary capitalist society, but from a semicolonial and semifeudal society. Of course, during the transition period, we have undergone prolonged revolutionary struggle, the struggle of the shifting--transition--period from new democracy to socialism, including the profound transformation in the aspects of social relations and the relations of production, and have undergone more than 30 years of socialist economic construction. Our social system has thus undergone an essential leap and our social productive force has tremendously and greatly developed. However, in view of the established conditions that face us in building the new society and that have been left to us by history and especially in view of the main outcome of the historical activities in the past--the total sum of social productive force, a short period of 30-odd years cannot yet and in fact has not enabled us to become completely free of the historic legacies that we have inherited from the semicolonial and semifeudal society. The underdevelopment of our economy and culture, the imbalance in the development of various sectors, the various kinds of old traditions in people's relationships and in our ideology and culture that have taken shape in history, and in addition the great area and population of the country and the failure to eliminate in time many unfavorable factors in our natural surroundings and the failure to utilize in time many favorable factors and so forth all objectively exist and constitute part of the real foundation that we cannot fail to seriously take into account when building our new society. In other words, history has decided that many conditions that in a general historic view must be prepared in the capitalist stage must continue to be fully prepared by us in the course of building socialism. These are the special features of our construction of the new society.

4. In the past, we committed the "leftist" mistakes related to the problem of the construction of socialism. One of the important causes for these mistakes was that we ran counter to the theory of dialectics on development and neglected the question of where our socialist society came from and failed to firmly grasp our actual starting point. On the contrary, we regarded as our starting point the general conclusion related to communism which was drawn by Marx on the basis of the historical laws or certain foreign patterns, and misunderstood and dogmatized them. In addition, our impractical imagination caused us to regard the way of our socialist construction as being absolutely pure and straight. Our party has already scientifically summed up this section of our history. In view of our understanding and practice of socialism, what is most significant in the

great change that has taken place since the 3d Plenary Session of the 11th CPC Central Committee is the reestablishment of the ideological line of proceeding from reality. Proceeding from reality is not only a proposition of materialism, but also a proposition of dialectics. This means the acknowledgement of the fact that the development of history is merely a process, and that peoples' activities in creating history must proceed from the prescribed historical conditions. As a result of adhering to the ideological line of proceeding from reality, all those in our party have gradually and clearly understood the actual foundation that we must recognize in building socialism in our country. At present, all our party's current policies and practice are formulated on the base of this practical foundation. Regarding our diversified economic forms, on the one hand, we have abolished the system of exploitation, and set up our socialist system. The foundation of our socialist economic system is the socialist public ownership which occupies an absolutely dominant position throughout our national economy (including the ownership of the whole people and the collective ownership of the working people). This is a basic feature of our socialist system, and is what we must adhere to. On the other hand, under the prerequisite of giving a leading position to the state-run economy owned by the whole people, we should develop various forms of the cooperative economy of different degrees of public ownership in our urban and rural areas, and protect and appropriately develop the individual economy of laborers as a supplement to our socialist public-owned economy. Besides, there are also a small number of enterprises using joint Chinese and foreign investment. The situation of the coexistence of diversified economic forms appears to be a kind of complicated structure of many strata and is of an impure and transitional mode. They reflect the actual uneven development of our productive force in the various existing economic sections and in the various areas in our country. Moreover, in our state-run and collective economy, we have developed and will develop the various forms of management and administration, including the all-round responsibility system with remuneration linked to output which has been given widespread implementation in our rural cooperative economy, and the management responsibility system, which has been implemented in our state-run industrial and commercial enterprises. The diversification of our concrete management methods is the rationalization of the concrete management and administration system within the economic forms of the two types of socialist ownership. It aims at putting an end to the type of existing irrational management system which is overcentralized, unrealistic and very inefficient and which runs counter to the principle of distribution according to labor. At the same time, putting an end to this type of management system is of the nature of partially readjusting the relation between production and distribution to enable them to be better suited to the demand of the development of the productive force. Like the forms of our economy, the present forms of our management and administration also manifest the impure and transitional mode. The transformation in this line is to be continuously explored and carried on, and there will emerge more transitional forms of management and administration, the diversified characters of which will also reflect the actual uneven development of our productive force in the various existing economic sections and in the various areas of our country. The policy of regarding planned economy as the core and the

regulation of market mechanism as a supplement and the policy of diversifying the methods of our planned management are all based on the same reality. In short, all these are based on the same fundamental principle: We should enable our country's overall relations of production that are founded on our socialist public ownership and the concrete forms of these relations to be better adapted to the starting point of our socialist construction--the level of the development of our productive force, economy and culture--in order to facilitate our further advance from this starting point.

5. No matter what great stress we lay on proceeding from our actual foundation and no matter what reform and readjustment we have carried out to enable the concrete forms of our existing relations of production to conform as much as possible to the level of development of our productive force, economy, and culture at the present stage, there is one thing that we must never forget, that is, everything needs to be further developed. This is because creating history in light of established conditions is aimed at giving play to the initiative of the people in creating history in even better conformity to the laws; discovering a sound and realistic starting point is aimed at continuing to forge ahead more satisfactorily; and formulating our current policies in the light of China's national conditions and characteristics is aimed at enabling our socialist modernizations to develop more smoothly and quickly. In order to develop, we will face the problem related to the orientation of the development and the problem related to the internal basis for development. The guidance of the communist ideological system and the education in communism are precisely the very realistic and urgent tasks that have been put forward on the basis of this view of development. They are what we rely on to guarantee that our cause of construction develops along the correct orientation of socialism and communism.

6. All our current policies have been formulated under the guidance of the communist ideological system. Abolishing private ownership and establishing public ownership in accordance with the theory of scientific communism is the basic slogan of socialism and communism. Our socialist public ownership and its corresponding planned economy and distribution according to labor constitute the basic distinguishing features of our internal economy. Opening up to the outside world, allowing diverse economic forms to coexist, adopting diverse methods of management, and giving play to the supplement role of market mechanism, are all aimed at enabling our socialist construction to develop more satisfactorily. Therefore, while adopting diverse forms and flexible measures, we must not forget our basic principles. First, we should clearly distinguish between what is of a socialist nature and what is not. Socialist public-owned economy is the foundation of our economy. The individual economy of laborers is only a supplement to our socialist economy, and cannot be regarded as being socialist in nature. Some of the economic and management forms of our collective economy are socialist in nature, but at the same time they have some factors of the individual economy. Some of the forms of cooperation and combination of the initial stage are basically of the nature of an individual economy, but they are socialist in some aspects. We have abolished the system of exploitation, but in some special conditions, exploitation

phenomena still exist. For example, there is exploitation in the enterprises of joint Chinese and foreign investment and of foreign investment. Of the diverse forms of economic phenomena in our society, we must make a Marxist analysis. Generally speaking, all those that are allowed by our current policies are appropriate for the current conditions and favorable for the development of the socialist economy. However, we cannot say that they are all socialist in nature. While fighting against "leftist" erroneous thoughts and opposing the malpractice of viewing problems in a metaphysical way and regarding a socialist society as being absolutely pure, we should not confuse the essential difference between different things, nor grant cheap socialist laurels to those that are nonsocialist factors in their origin. Refusing to admit that some of the forms of the all-round responsibility system linking remuneration with output consist of certain factors of the individual economy, regarding certain forms of the individual economy as being socialist in nature, or even denying the existence of certain forms of exploitation in our real life all run counter to Marxism. Furthermore, our socialist economic system and relations of production themselves have to undergo a process of perfection, and a process of development from lower to higher stage along with the development of the productive force. Regarding their concrete forms, whether we want to develop or perfect it, we must explore and create through practice and should not design them beforehand in our minds in a subjective manner or copy the sets of fixed patterns from abroad. However, as a principle, socialist relations of production have their own denotations and inherent characteristics and are divided into different phases of the lower and upper stages that correspond to the difference in the degree of the development of the productive force. We fight against "leftist" erroneous thoughts and the malpractice of viewing problems in a metaphysical manner and of unrealistically pursuing the greatest possible scale and degree of public ownership. At the same time, we should not become confused, on the basis of ending past fixed patterns, about the basic characteristics and historical trend of our socialist economy or confuse the distinction between public and collective ownership and between collective and individual ownership. We should not use the transformation of our modes of administration and management as an excuse to actually advocate the substitution of collective ownership for the public one. Nor should we generally regard as being the most satisfactory forms of socialism certain forms of economy and management which have some individual factors or are individual in nature and which are appropriate for and suited to the current degree of development of our productive force or even regard them as the long-term orientation for the development of socialism. In short, in observing various kinds of social economic phenomena and firmly implementing our party's various current policies, we must keep sober minds, remember well the basic characteristics and the development orientation of socialism, and adhere to the socialist road. We should pay attention not only to the question of whether the concrete forms of our production relations match the actual status of the productive force, but also to the question of whether these forms facilitate the continuous development of the productive force.

7. The correct implementation of the current policies and the smooth development of the socialist construction requires the conducting of communist ideological education as an ideological guarantee. Our party's various policies and the practice in carrying out these policies are guided by the system of our communist ideology, and are the concrete practice of communism at present. Because they suit current China's reality and because they represent the fundamental interests and the current interests of the people of all nationalities and all strata, they are warmly supported by the overwhelming majority of our people. However, for whatever socialist policy, we cannot expect that all the masses of people will understand and carry it out from the communist ideology plane. As a matter of fact, it is often easier for many rank and file people to realize their own interests and their immediate interests, but it is hard for them to realize the interests of the state as a whole of the long-term interests. Only a minority of advanced individuals can properly understand and handle, in the light of communist ideology, the relations as reflected by these policies, between the interests of the individual, the state, and the collective and between the immediate interests and the long-term interests. Moreover, there is a small number of people who understand the policies and act only from the consideration of their immediate personal interests. They disregard the long-term interests of the state and some of them even distorted the spirit of our policies in order to utilize them and find loopholes in them so as to profit by them. Therefore, after the implementation of the policies of opening up to the outside world and enlivening our domestic economy and after the development of the diversified forms of our economy and management, our tasks in carrying out communist ideological education cannot be weakened, but should be 100 times more vigorously strengthened in order to make more and more people properly understand the relations between the interests of the individual, the state, and the collective, and between the immediate interests and the long-term interests, and properly combine these interests in practice. We should make an all-round estimate of the various social repercussions to which the widespread implementation of our current policies have given rise or will possibly give rise. We should not only fully realize the socialist initiative to which these policies have given play in the broad masses of people and the tremendously great promotion that these policies have brought about for the development of our economic and cultural undertakings, but also keep sober minds when estimating the capitalist, small-scale producers, and other old ideas and work styles that may emerge in the minds of some people under the new conditions. Our goal is building, through the various reforms, a socialism with distinguishing Chinese features. While formulating and implementing our various policies, we should vigorously develop communist ideological education and build our socialist spiritual civilization with communist ideology as the core. Only by so doing can we guarantee this development orientation for our society.

8. To summarize, the guidance of the communist ideological system and communist ideological education is an important guarantee for the proper development of our socialist undertakings. Laying stress on this is radically different from the malpractice of boasting, engaging in telling lies, and talking big and empty, seeking an immature transition to communism

and so forth that we committed in the past under the guidance of the "leftist" erroneous ideology. Only the practice of carrying out the "leftist" erroneous policies in the manner of being divorced from our country's reality and from our actual starting point, or even going beyond the present stage and pursuing the so-called "transition to communism" is the practice of boasting, engaging in telling lies, and talking big and empty, and seeking an immature transition to communism. This practice will only result in ruining the reputation of the communist ideological system and the communist social system. In the past, we engaged in this practice and committed mistakes, and thus we have indeed given rise to a misunderstanding by some people. That is why, today, some people express their amazement when they hear that we will strengthen the guidance of and education in communist ideology. Therefore, through various kinds of propaganda and explanation, we must draw a clear line between scientific communism and the "leftist" erroneous ideology and continuously eliminate the influence of the "leftist" erroneous ideology. We should steadfastly publicize and implement the various current policies that have gradually been perfected since the 3d Plenary Session of the 11th CPC Central Committee. At the same time, we should also prevent and correct another deviation, that is, when we explain and implement our current policies, we forget the orientation of our socialist development and the long-range goal of communism, and forsake the fundamental principle and the theoretical position of Marxism. If we act in this manner, we will aptly simplify the complicated problems from another angle, and overlook the actual difference in many things and contradictions in reality. This also runs counter to the materialist dialectical viewpoint on development. Therefore, regarding the relations between the current policies and communist ideological education, we should also pay attention to the ideological struggle between two lines and prevent both the "leftist" and the rightist deviations.

9. Some people may ask: Since there is a need for publicizing the stability of our policies because the broad masses, especially the broad masses of peasants, are apprehensive of frequent change in the party policies and some of them still half believe, half doubt whether the current policies will remain unchanged, will the propaganda about the dialectical view of development and the advocacy of the communist ideology be in conflict with these needs? This involves a question of how we are to regard change and no change. We say that the policies formulated since the 3d Plenary Session of the 11th CPC Central Committee will not change and we publicize the stability of the current policies, because these policies conform to the fundamental conditions of our country's development of the economy and culture, that is, they conform to our national conditions. Although we will strive to achieve a relatively great speed in developing our economic and cultural construction, it is impossible for these fundamental conditions to undergo a radical change within a short period of time. As long as there is no radical change in the actual economic and cultural conditions, our current policies will not and must not be radically changed. Does this run counter to dialectics? No, it does not. On the contrary, this is precisely a requirement of dialectics. Engels said that the dialectical philosophy "also has its conservative aspect: It admits that every stage of cognizance and society has a reason for its existence in

view of the time and conditions of these stages." ("Selected Works of Marx and Engels," Vol 4, p 213) However, on the other hand, our cause of socialist construction is forging ahead and developing day by day. Development also means change. Therefore, we cannot say that our party's policies and practice will remain absolutely unchanged. As our social productive force and our economic and cultural undertakings develop overall, as our social wealth grows, as our people's standards of living and ideological consciousness rise, and as our practice progresses and our experiences accumulate, our party's policies will also be readjusted, perfected, and developed step by step. Take our diverse forms of economy and management, for example; the management and administration system and methods in the state-run enterprises owned by the public need to be and is being reformed gradually; the diversified organizational forms and management and administration forms that have emerged in our collective economy will be gradually upgraded and perfected through practice; and as the division of labor and specialization develop and the commodity rate rises, the individual economy and household economy of the laborers who have joined the collective economic organizations have already adopted and will continue to develop many different forms of combination and cooperation, which will be developed and perfected through practice or will be replaced by better forms that will be created in the future. In fact, in order to build a socialism with distinguishing Chinese features, our economic forms and management methods are undergoing a complicated change. The forms that are suited to the conditions of the development of the productive force and meet the demand of the masses of people will continue to exist and further develop; the forms that are transitional in nature and are still being explored will be improved, reorganized, or replaced by better forms in future development according to the conditions of the development of the productive force and the demand of the masses; the forms that have been proved by our experiences as being inappropriate will be discarded in future practice and replaced by new and more appropriate forms; and so forth. It is precisely because of the existence of changes that we can, with Chinese features, facilitate the continuous prosperity and development of the state, and enable our people to become increasingly rich and happy. They must be changes that will benefit the overwhelming majority of the laborers and thus win their full consent. It is precisely in order to guarantee the correct direction of this change that we emphasize the guidance of communist ideology. At present the reason why some of the masses of people are apprehensive of any change in our policies is because they fear that we will return to the "leftist" erroneous policies of the past and that we will violate the objective laws again like we did in the past and force our people to go through uncalled-for twists and turns. The previous practice of subjectively changing our policies at will in the manner of being divorced from reality resulted in creating obstacles to and undermining the development of our productive force and brought poverty and suffering to the masses of people. The people are justified in fearing such changes, and we must resolutely avoid these changes and must never follow that old path. In fact, the broad masses of people are not apprehensive of the changes that are aimed at forging ahead along a correct direction. On the contrary, they welcome such changes. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has brought order out of chaos, put



an end to the "leftist" guiding ideology and policies of the past, and carried out reform in various spheres. We can say that there has been an unprecedentedly great change, but the masses of the people are not apprehensive of the change. This proves our point. Therefore, we must also use thorough reforms, further create and sum up the way of our socialist construction with distinguishing Chinese features; and it is also because of the existence of changes that we particularly emphasize the guidance of education in communist ideology in order to promote these changes to constantly develop along the direction of socialism toward the lofty goal of communism. When there has been a radical change in the fundamental situation of our country's economic and cultural backwardness, we can expect that the party's guiding principles and various policies will undergo further tremendous change. Otherwise, it will be hard for us to continue to forge ahead in the changed conditions. Of course, all the changes that we are talking about here, whether they are the small changes at present or the big changes in the future, must be correct changes. They must conform to the conditions of the development of the productive force and the change in the people's needs, and must be the changes that will enable the continuous development of the socialism with distinguishing the dialectical materialist viewpoints to understand the question related to change and no change and pay attention to distinguishing between changes of different nature.

10. Lenin said that dialectics is "the most integrated and profound theory of development that is free from any evil of one-sidedness." ("Selected Works of Lenin," Vol 2, p 442) In the process of building a socialism with distinguishing Chinese features, we must be good at using this theory of development, correctly understand our socialist society, correctly understand various kinds of social economic phenomena, and overcome and prevent any kinds of metaphysical or one-sided practice. One of the causes that made us commit mistakes related to the question of socialist construction in the past was that our thinking was mostly metaphysical. Now the party's various current policies, and its guideline on strengthening communist ideological education, are all based on Marxist materialist dialectics. In order to correctly understand and carry them out, we must consciously study and use the materialist dialectics and master this integrated and profound theory of development that is free from any evil of one-sidedness.

CSO: 4004/43

## ALWAYS PROCEED FROM XIZANG REALITIES

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 18-21

[Article by Yin Fatang [7113 3127 0781]; passages within slantlines published in boldface]

[Text] In 1980, proceeding from Xizang reality, the CPC Central Committee made important decisions on the work for Xizang, central leading comrades Hu Yaobang and others made an inspection of Xizang, and put forth important opinions for the work in Xizang. Over the past 3 years, thanks to the leadership and loving care of the central authorities, the great support of various provinces, cities, and autonomous regions, and strenuous efforts made by cadres and masses of various nationalities, Xizang is victoriously marching along the course charted by the 3d Plenary Session of the 11th CPC Central Committee, and encouraging changes have taken place in the situation of Xizang. In Xizang, the ideological task of bringing order out of chaos has been accomplished and the party policies for economy, nationalities, united front work, and cadres have been fully implemented. A great number of middle-aged and young cadres of various nationalities have been assigned to leading posts at various levels. Various nationalities have continuously strengthened their relations based on equality, unity, mutual aid, and fraternal love. Industrial, agricultural production, and animal husbandry have developed throughout the whole region. In particular, since the implementation of the contracted responsibility system of assigning output quotas to individual households, agriculture, animal husbandry, and production in the handicraft industry run by minority nationalities have rapidly developed, peasants and herdsmen have markedly increased their incomes, and communications, power industry, finance, trade, and educational, scientific and technological as well as cultural undertakings have made new progress. People in Xizang have accomplished the task of "effecting small changes in 3 years," and have basically solved the problem of food and clothing. At present, production has developed throughout Xizang, the stability of the society and national unity have been promoted, frontier defense has been strengthened, and the broad masses of people are living and working in peace and contentment. Now is one of the best periods since liberation. People of various nationalities are striving to accomplish the task of "effecting medium changes in 5 years and great changes in 10 years" assigned by the CPC Central Committee and to achieve magnificent goals set by the 12th CPC National Congress.

After the 12th CPC National Congress, we carried out investigations and studies in the northern grasslands of Xizang and visited some herdsmen who were once poor: "Our previous policies were like a cowhorn, growing narrower and narrower. The present policies are like a felt blanket, growing more and more broad. Now we no longer worry about food, drink, clothing. Although we are not rich enough, life will get better and better. Herdsmen have good prospects." It is true that most peasants and herdsmen are not rich enough now and are still encountering many difficulties. Yet, it is a gratifying thing that the party policies have struck root in the hearts of the people. People of various nationalities have more faith in the party than ever before. They support the party's guiding principles and policies, and have full confidence and pin their hope on the future of our nation and motherland.

The great changes which have taken place in Xizang are a victory of the ideological line of seeking truth from facts advocated and restored since the 3d Plenary Session of the 11th CPC Central Committee. Practice over the past 3 years has provided cadres at various levels with vivid education on Marxist theory of knowledge, so that they profoundly realize the paramount importance of proceeding from reality and working out guidelines in work in light of practical conditions. This is a matter of particular significance in Xizang. Practical conditions of Xizang are different not only from other interior places, but also from other minority nationalities regions in terms of natural conditions, national characteristics, religious belief, social development, economic structures, living conditions, culture, art, and others. Only by correctly understanding and analyzing the history and present situation of Xizang and proceeding from the characteristics of the region can we formulate correct guiding principles and policies suitable for Xizang realities. Comrade Mao Zedong pointed out: "We should educate our cadres so that they are able to analyze specific conditions and decide work tasks and methods at a given time and place in light of the characteristics of different areas and different historical conditions." ("Selected Works of Mao Zedong," Vol 4, p 1274)

Xizang is a strategic area of the motherland with a vast territory, abundant natural resources, and great potentials. However, we should also realize that Xizang directly entered the socialist society from the feudal serf system. The vestiges of the feudal serf system cannot disappear overnight. The ideology and concept of the feudal serf system will not automatically vanish with the fall of this system. Xizang was partly closed to the outside world for a long time, its production level was low, the development of its traditional natural economy was slow, and its commodity economy was backward. Xizang region is at the roof of the world, with an average elevation of more than 4,000 meters. The alpine climate lacking oxygen adversely affects not only living things which need oxygen for their existence, but also machines which rely on oxygen to turn heat energy into power. Therefore, people's activities of reforming nature are substantially restrained. The Xizang nationality, the main nationality in this region, accounts for most of the population. This nationality has a long history, brilliant ancient culture, and prominent national characteristics. Before liberation, religion in Xizang involved almost all aspects

of life. Although social reforms have been carried out, religious influence is still great. Modern culture, education, and science and technology in the region have enormously developed, but they are still very poor when compared with other localities. Due to such characteristics, while carrying out socialist reforms and construction in Xizang, very often we encounter special problems which should be carefully handled. Relevant special policies should be followed. In the early 1950's, Comrade Mao Zedong pointed out: While considering any issues of Xizang, we should first take into account two things--nationality and religion. All work should be carried out carefully and steadily. In May 1980, when Comrade Hu Yaobang carried out an inspection of Xizang to study the situation in the region, he pointed out that the greatest realities in Xizang were poverty and backwardness. He called on people to strive for a new Xizang which is characterized by unity, prosperity and civilization. The basic spirit of these instructions is that we should respect and grasp the characteristics of Xizang and always proceed from reality. This is the basic principle which all people working in Xizang should always bear in mind and follow. The following situation occurs very often: Something can be done in many other regions. However, when it is done in Xizang, we should consider not only the way to do it, but also the question of whether we can do it. In the past 3 years, as a result of summing up positive and negative historical experiences, we have gradually deepened in practice our understanding of the characteristics of Xizang and adopted corresponding guidelines and measures in light of these characteristics. The following are our experiences in proceeding from reality and sticking to the practice of seeking truth from facts.

/To proceed from reality and stick to the practice of seeking truth from facts, we should be good at carrying out struggles on the two battlefronts, and consistently pay attention to removing disruption from the "left" and the right./ The "leftist" and rightist ideology is characterized by the act of separating subjectivity from objectivity on the one hand, and knowledge from practice on the other. Three years ago, the guiding ideology of certain leading cadres in Xizang was influenced by the "leftist" stuff. Some comrades stuck to the previous "leftist" stuff, lacked understanding, or even resented the party's present policies. They worried about the direction of future development, and were unable to comprehend the policy of abandoning the slogan "taking class struggle as the key link." However, the majority of our comrades, the broad masses of peasants and herdsmen in particular, sincerely supported the act of bringing order out of chaos and various policies implemented since the 3d Plenary Session of the 11th CPC Central Committee. This was a firm and powerful political foundation which ensured that we could do our work well. In the process of great historical changes, it often happens that thinking falls short of reality and that leaders lag behind the masses. The key to dealing well with such a situation lies in our ability to provide guidance and our efforts to ideologically bring order out of chaos. Therefore, we firmly grasped the work of leading cadres. We exerted our main efforts to help leading cadres above the county level to enhance their ideological understanding. By holding discussions on truth criterion and making an analysis in light of practical conditions, they realized that the 10 years of turmoil had brought serious consequences to Xizang. After the 3d Plenary

Session of the 11th CPC Central Committee, the "leftist" stuff had not been corrected and severe problems in economic and cultural work still existed. The majority of the masses still lived miserably. Hence, our cadres further realized the correctness and necessity of implementing the present policies. With regard to some comrades who adopted a passive attitude, or even resented party policies, instead of carrying out criticism in an oversimplified and crude way, or repudiating them from the high plane of principle, we adopted in a gentle and mild way the method of presenting the fact and reasoning things out to help them enhance their understanding, so that they would gradually comprehend the correct instructions issued by the central authorities. In so doing, we succeeded in uniting with the majority of our cadres and arousing the enthusiasm of the people in various fields. While curbing a main trend, we also paid attention to solving problems arising in another aspect: the bourgeois liberalization trends of thought. Such trend of thought occurred when we were relaxing our policies. It mainly manifested itself in the following: There was an obvious tendency that a small number of youths and people working in the literary and artistic field intended to break away from the party leadership and blindly sought a Western culture and lifestyle. There was a blind religious passion in some areas. With regard to the issue of nationality, some people spread speeches and views which were detrimental to unity. To deal with this situation, we stressed the necessity of upholding the four basic principles and carried out ideological and political education. In a word, in accordance with the principle of seeking truth from facts, we curbed any unhealthy tendencies whenever they were found and solved any problems whenever they occurred. In the meantime, we paid attention to doing ideological work and guided people by positive measures. In so doing, we achieved better results.

/We should proceed from reality to conscientiously carry out investigations and studies and stick to a down-to-earth work style./ Different areas in Xizang might encounter different problems because of their differences in geographical conditions, climate, and economic structure, or because of their different locations in urban or rural areas, agricultural or pastoral areas, and in interior or border areas. With regard to geographical conditions, we know that in Xizang there are frigid mountain areas, river valleys, flat land, and vast plateau and grasslands. As far as the climate is concerned, we know that some areas in Xizang are located in the frigid zone. Some other areas are located in the temperate or subtropical zones. A number of areas have variable climates, that is, climates of the four seasons simultaneously occur. We should follow different specific guidelines for work and adopt relevant different measures in light of different conditions. The integration of agriculture and animal husbandry is the basic characteristic of the economic structure of Xizang. Population in the agricultural and pastoral areas accounts for more than 80 percent of the entire population of the Xizang region. Output value of agriculture and animal husbandry accounts for more than 80 percent of the total industrial and agricultural output value of the entire region. As long as we firmly grasp agriculture and animal husbandry, we will be able to command the general situation. Proceeding from this reality, we have worked out guidelines characterized by the integration

of agriculture and animal husbandry, diversified economy, and overall development. We have also demanded that various areas develop production in light of their actual conditions. Proceeding from their own realities, they may develop agriculture, animal husbandry, or forestry.

In the past, because we lacked investigations and studies and failed to proceed from realities and demanded uniformity in everything, and oversimplified things, we made a lot of mistakes in our work. The idea of regarding agriculture as more important than animal husbandry was our conspicuous mistake. For example, Zhanang County in Shannan Prefecture has only a limited amount of cultivated land and land for grazing, but it has good conditions for developing a diversified economy. However, under the domination of the "leftist" guiding ideology, diversified economy was regarded as a "tail of capitalism" and cut off. Efforts were devoted only to grain production and one-crop farming. As a result, the county became poorer and poorer. However, since 1980, the CPC committee of the county has emancipated minds and carried out in-depth investigations and studies. It has discovered many sources for diversified economy. Hence it has reestablished its guidelines for production to greatly develop the traditional handicraft industry. All households make cushions and spin woolen fabrics. As a result of the efforts exerted over the past 2 years, the county has brought about an upswing in production and cast off the poverty label. With regard to the problem of planting wheat and highland barley, we once put undue emphasis on the favorable conditions for planting wheat and its high output. But we neglected the habit of the masses of Xizang nationality, who like to eat and enjoy eating highland barley. This brought an inconvenience to the masses. The masses, herdsmen in particular, complained bitterly about this. Later, although we repeatedly stressed expanding areas sown to highland barley, the production of highland barley was not considerably promoted. Through investigations we found out that due to the unreasonable purchase price of highland barley, peasants only planted it for their own use. They still exerted their main efforts to plant wheat. This situation improved after increasing the purchase price of highland barley. Facts have proved that correct guidelines and policies are worked out on the basis of the investigation of the actual conditions. They should not be copied mechanically in disregard of specific conditions, or sheer fabrication. Considering the fact that Xizang is particularly backward economically, we have time and again relaxed our economic policy. Through correct policies, we have aroused the enthusiasm of the masses to the fullest extent possible.

Of course, we can only say that we are now gradually deepening our understanding of Xizang and our understanding is coming closer to reality. For instance, we have always paid closer attention to the issues of nationalities and religion and we will continue to do so in the future. Under the guidance of the party policies for nationalities, new relations between nationalities based on equality, unity, and fraternal love have been basically formed. Regional national autonomy has not only protected the common interests of various nationalities, but has also considered the special needs of minority nationalities. Economic, cultural, and scientific and technological cooperation and exchanges between various

nationalities have promoted the development of economic and cultural undertakings in Xizang. Various nationalities have absorbed many advanced things from each other and have more and more general characters. Indeed, they cannot be separated from each other. This is one aspect of the matter. The other aspect of the matter is: The de facto inequality among nationalities left over from history has not yet been completely abolished. The problem of inheriting and carrying forward national culture and solving some other problems more reasonably remains to be solved. In Xizang, feudal exploitation and privileges of temples have been abolished and religion can no longer interfere in politics, production, education, public health, and other areas. Religion can only exist as a belief of some people. These are marked changes in religious matters. However, religion will continue to produce its widespread influence for a long time. At present, the policy of freedom of religious belief has been respected. Normal religious activities are protected by law. The problems of those who are engaged in a religious occupation, places for religious activities of the masses, and the recruitment of lamas remain to be solved. With the shifting of the party's work focus, Xizang should concentrate its main efforts to promote economic work. Without changing the situation of poverty and backwardness, it is impossible to satisfactorily solve the problems of nationalities and religion. However, if we fail to pay attention to the problems of nationalities and religion, which are the prerequisite for stability and unity, the accomplishment of our economic construction tasks will be impeded. While developing its economy and culture, Xizang should on no account mechanically copy the experiences of other interior areas. It should not catch up with the pace of other interior areas in disregard of specific conditions. In the days to come, we should continue to understand and grasp the special conditions of Xizang and follow prudent and steady policies.

/To proceed from realities, we should uphold the spirit of being highly responsible for the party and people./ The interests of the party and state are identical to the fundamental interests of the people and masses. The act of being responsible for the party and state is in line with the act of being responsible for the people and masses. However, in practical work we very often separate them from each other, or even set them against each other. In particular, during the 10 years of turmoil, the practice of "setting high targets and purchasing a large quantity of grain" prevailed. As a result, we purchased an excessive quantity of grain. This brought great difficulties to the masses. The gravity of the questions lay in the fact that this situation continued for a certain period of time even after the smashing of the "gang of four." Since the implementation of the important instructions issued by the central authorities for the work in Xizang, we have adopted a series of policies of recuperation and multiplication. Only thus can we gradually solve the masses' problems of food and clothing. Many comrades have realized the truth that "seeking undeserved reputation might court disaster." Whether one dares to report accurately the real situation should be regarded as a criterion for testing whether he has a pure party spirit, and is free from any selfishness. We stress that local CPC committees at various levels should accurately report their real situation to the CPC committees at higher levels. They

should report both the good and bad news. Only thus can leaders at higher levels provide correct guidance. In the meantime, we should also tell the masses the real situation. We should tell them our achievements and difficulties. Only thus can the masses understand and support us. We encourage those who adopt an overall point of view, share the cares and burdens of the state, refrain from asking the higher level for help, and rely on their own efforts to overcome difficulties. They should not be criticized as disregarding the interests of the masses. We should not regard them as departmentalists and self-seekers, who accurately reflect their unsolvable difficulties to the higher levels in order to seek support from the leaders at higher levels. The key to this matter lies in the fact that leaders should get rid of all selfish ideas, be realistic and dare to face reality, and be faithfully responsible for the party and people.

Reviewing the practical work we have done over the past 3 years in our region, we realize that the party's ideological line of seeking truth from facts has ensured the implementation of the party's political line, so that we can victoriously march along the path of building a new Xizang which is characterized by unity, prosperity, and civilization. We should conscientiously sum up experiences and stick to the practice of proceeding from Xizang realities so that we can do our work still better for Xizang.

CSO: 4004/44



## CONCENTRATION, EXCHANGE AND ACCUMULATION

Beijing RED FLAG in Chinese No 14, 16 Jul 83 p 22

[Article by Xue Muqiao]

[Text] The publication of the "Jingji Diaocha" [Economic Survey] series is useful. (The "Jingji Diaocha" series is compiled by the economic editorial office of the RED FLAG Publishing House. The books originally had a limited distribution. Beginning with the first issue of 1983, the books are now openly distributed by the Xinhua Bookstore and sold throughout the country. Each book of the series has 200,000 characters.)

Since the 3d Plenary Session of the 11th CPC Central Committee, our party has reestablished a Marxist-Leninist ideological line of seeking truth from facts, and paying attention to and conducting investigations and studies have again become a prevailing practice in our party. Economic departments and research units at both central and local levels have made many investigations by going deep into reality and have written many valuable reports which are greatly helpful to our theoretical and practical work. Now, these survey reports should be collected and published so as to provide a useful reference aid for our theoretical and practical workers.

In the past few years, the press has also published quite a few survey reports, but the number of these reports has been limited due to a lack of available publishing space, and sometimes the reports cannot be carried by the press in full. Now, the "Jingji Diaocha" provides sufficient room for publishing these survey reports, no matter whether they are long or short. As long as the reports are worth preserving and taking as a reference, they can all be codified into the series. Then, it will be more convenient to make use of these materials.

For a long time in the past, theoretical workers were often troubled by a shortage of materials. Making investigations and studies is the main way to achieve firsthand materials. However, the achievement of investigations made by one unit or by one person is always limited. In order to avail ourselves of more materials and data, we need to collect as many materials as possible and exchange them with each other. The publication of the "Jingji Diaocha" provides us with a channel for exchanges.

Survey reports can reflect the process of our economic development. It is not possible to take the same pictures at different times. Hence, we need to preserve and accumulate these reports. By accumulating them for many years, we will find that they are historical materials of high value. Reports being codified into the "Jingji Diaocha" mostly reflect the current state of affairs, but if they are preserved and accumulated for a certain time, they will be able to reflect the gradual changes in the situation and the process of historical development. This is very helpful for us to sum up experience and to explore laws which govern economic development.

I wish the "Jingji Diaocha" success.

CSO: 4004/43

## THE RELATIONS BETWEEN THE WHOLE AND THE PART IN ECONOMIC WORK

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 23-27

[Article by Yue Wei [1471 1550]; passages within slantlines published in boldface]

[Text] Some progress has been made over the past few years in reforming the economic system of our country. While measures have been taken to reform the agricultural system in a big way, the decisionmaking powers of industrial and commercial enterprises have also been expanded. As a result, the initiative of various sectors in production has been mobilized, the activities of various economic organizations have been stepped up, and unprecedentedly excellent situations have emerged in the whole national economy. Under this situation, it has become an important theoretical and practical question at present to conscientiously study such aspects as how to correctly treat the relations between the whole and the part and how to properly handle the interest among the state, collective, and individual.

The economic relations between the whole and the part and the entity and partial generally exist in economic work. They have integrated organically and also condition each other to determine the proportion and the development, efficiency, and speed of the whole national economy and determine the extent of meeting social needs. Generally speaking, the relations between the whole and the part in a socialist economy are new relations that are based on the same basic interest. In principle, such relations are different in nature from the relations among the state, private enterprises, and working class in capitalist countries. But in the former there also exist contradictions and some are quite complicated. How to correctly handle these contradictions in the socialist economy is greatly related to the development of the national economy as well as social unity and stability.

The mutual relations between the whole and the part belong to the sphere of dialectic materialism on the general relationship of things. The real world is an organic entity where all things are interrelated and everything coexists and conditions each other to the things around it. And so, in economic life, the whole and the part and the entity and the partial also simultaneously coexist, promote each other, and make progress. Following the development of science and technology, the social division of work has become more meticulous and coordination in production among regions,

departments, and units also have become closer and closer. Regions, departments, or enterprises cannot depart from the interrelated regions, departments, and enterprises, nor can they depart from the economy as a whole. Under the condition of modern and social mass production, the mutual relations and mutual condition between the whole and the part have shown unprecedented development, both in breadth and depth.

The whole and the part represent dialectic unity. The part belongs to the whole while the whole governs the part. The whole is higher than the part and determines the spheres and orientation of the activities of the part. The conditions needed by the part can be guaranteed for opening up the road for its development only when the part is subordinate to the whole. The whole, on the other hand, is composed of various parts that represent the foundation for the former. The situations of various parts will determine the situation of the whole. The structure, the forms of combination, and the order of development of various parts in the whole determine the structure, development orientation, and the scale of the movement of the whole national economy.

Certain major relations between the whole and the part in social economy have reflected the forms of the manifestation of the socialist economic law and demonstrated the relations of the activities of mutual exchange among men. These relations have important economic and political significance. Facts proved that once we are able to correctly handle some important relations between the whole and the part, we will be in a position to correctly reflect socialist basic economic law, the law of the planned and proportionate development of the national economy, and objective needs of the law of the distribution according to work. Consequently, we will be able to promote the harmonious growth of the national economy and meet people's increasing material and cultural needs on the basis of developing production. Therefore, as long as we are able to handle well the relations between the whole and the part, pay more attention to handling well the interest between the collective and individuals and the relations between long-range interest and intermediate interest, and carry out our work according to objective law, we will be able to guarantee state key construction projects and at the same time mobilize the initiative of various departments, regions, units, and the broad masses of laborers so as to vigorously promote the development of socialist undertakings. If we fail to handle well the major relations between the whole and the part and if we go against objective economic law, the initiative of the broad masses of laborers will be hampered and the national economy will become stagnant and there will be chaos. This situation has been proven in history time and again.

In order to handle well the mutual relationship of the various forms of relations between the whole and the part, this work must be closely linked with practical experiences of socialist construction in China so as to be able to study some laws. In my view, it is imperative, at the present stage, to conscientiously study and handle well the following questions.

/First, clearly grasp the objective economic situation and consciously put the interest of the whole in the first place so that partial interest will

be subordinate to overall interest./ In order to put the various parts of the whole in their proper positions, it is demanded that economic workers at various aspects must pay attention to the overall interest, but before they are able to do so, they must first have a unanimous and overall understanding of the whole situation. We will be able to work out a unified plan only when we have unified understanding and it is only under this condition that we will be able to take unified action with united steps according to state plan. Historical experiences proved that when we proceed from reality in estimating economic situations and when we are clear-headed, particularly in national economic difficulties, we will be able to take the overall situation into consideration and pay attention to the overall interest. But when our economy takes a turn for the better and social production develops quite rapidly, we will often pay more attention to our achievements rather than our shortcomings. Under this condition, we are likely to become muddle-headed and impatient to make achievements and consequently, we consider only our own interest to the neglect of the overall interest. An example of this is that some departments and regions only consider their own needs and neglect the actual capability of our country, and contend with each other for carrying out their own construction projects even if such projects are repetitious. Seen from one angle, such projects may be necessary, but seen over all they are not necessary and only make the capital construction front still longer. These situations occurred from 1958 to 1960, in 1970, and in 1978, and this trend happened again last year and this year. State financial expenditures and revenues, credit expenditures and revenues, and supply and demand of goods and materials were out of balance in some years because of excessive capital construction; as a result, the national economy was not balanced and we were consequently compelled to carry out overall economic readjustment. This has been a profound lesson for us. We must always analyze the economic situations in an overall way and from the point of one divided into two. That is to say, we must see both achievements and shortcomings and favorable conditions and unfavorable conditions. The main proportions of the national economy have been improved through more than 4 years of readjustment following the 3d Plenary Session of the 11th CPC Central Committee and our economic situation has been improving with each passing year. But in spite of all this, we must understand that the relations among agriculture, light industry, and heavy industry are not in good balance, energy and communications are still weak links, considerable improvement in economic efficiency is yet to be made by various sectors, and financial credit has not been basically balanced. In this situation, it is impossible to carry out large-scale construction. If we fail to consider economic situations in an overall way and strictly control the scale of capital construction within the reach of our financial and material power and allow construction to swell without limit, we will consequently stimulate excessive development of heavy industry, make the energy and communication situations even more tight, lower the economic efficiency of production and construction, and expand the difference between finance and credit; if these situations continue to develop, we may be compelled to carry out further economic readjustment to lose a favorable chance.

We must take the overall situation into account and strive to grasp the objective overall situation. That is to say, we must understand in an overall way the picture of the entire national economy and its various relations, include partial activities in the state unified plan, spare no effort in doing a good job of all aspects that are in the interest of the whole, and resolutely oppose all aspects that are in the interest of the part but not in the interest of the whole. Otherwise, if we concentrate our attention on the loss and gain of the part and put the interest of the part above the interest of the whole, we will not be able to realize even the interest of the part. If we blindly add the capital construction projects that are needed by departments and regions we will no doubt undermine the balance of the entire economy and finally the projects that are carried out without planning will be discontinued. During the economic readjustment in the 1960's, a total of more than 800 large and medium-size projects were stopped and suspended, and almost 60,000 industrial enterprises were closed down, suspended, merged, and shifted to other production areas to reduce workers and staff by as many as 20 million. We should in no way forget this lesson.

/Second, it is imperative to concentrate our strength to resolve principal contradictions so as to promote healthy overall development./ The whole is composed of several parts that have different positions and roles and their effect on the whole varies. The law of the unity of opposites tells us that things are complicated, with a number of contradictions, and among these contradictions there should exist a principal contradiction that has a leading and decisive role; other contradictions, however, are secondary and subordinate. In our effort to do good work in the overall economic work and to improve the overall situation we must be good at grasping and solving principal contradictions. To have resolved the principal contradictions means that we have created a favorable condition for developing the national economy in an overall way. Experience proved that when we are able to concentrate our financial and material powers in key construction projects, we can complete several major undertakings that are decisive for the whole. This situation represents an important manifestation of the superiority of the socialist planned economy. In the 1950's, we concentrated the strength of the whole country and completed 156 major projects in a planned way and, as a result, for the first time in our country we built a number of basic industries to fill in some gaps and formed a foundation for the realization of socialist industrialization. During the 1960's and 1970's, we built oil industry, chemical industry, machine-building industry, and electronic industry, railways, highways, and harbor facilities. And, as a result, we have formed a relatively complete industrial system and national economic system. All these projects have provided a favorable material and technical foundation for developing agriculture, light industry, medium and small industries in localities, and various processing industries, and for constantly expanding labor employment and improving people's material and cultural life. Without these backbone enterprises, and if we do not solve the problems of energy and raw materials or do not build some new industries and communications facilities, it would not be possible for our national economy to make the development it has today and the development of agriculture, light industry, and certain

local industries would be seriously limited. For a certain period to come, we must follow the strategic keys defined by the 12th CPC Congress and build well our agriculture, energy, transport and communications, and education and scientific undertakings so as to create the necessary conditions for developing the economy in the next 10 years. Therefore, to make a unified plan across the country and concentrate our strength to complete several major undertakings represent important measures that are related to the development of the whole economy, the future of the country, and the desire of the people across the country.

Once we have resolved principal contradictions, we will be able to activate the overall interest in solving the problems of the part. Therefore various parts must be subordinate to the interest of the whole and must concentrate financial power, material power, and manpower from various aspects in support of key construction projects. Once we are able to do a good job in the whole modernization program, we will have built a solid foundation for the normal and continuous development of the various parts. If we follow departmentalism, use our strength evenly, irrespective of key and ordinary points, and carry out all works irrespective of their importance, key projects will eventually be squeezed by the projects that are neither important nor urgent, the projects that are included in planning will be squeezed by those that are excluded in the planning, and as a result, although we have built a number of ordinary enterprises, we will not be able to build major enterprises to form a backbone industry and consequently the process of socialist modernization program will be seriously affected.

/Third, the whole is composed of various parts that directly influence the whole and the whole must provide favorable conditions and environments for the parts to display their functions./ The production and economic activities of various departments, regions and units represent organic parts of the whole economy as well as the sources and foundation of the movement of the whole. The whole economy will become vigorous and have high efficiency only when a good job has been done in every part and its economic efficiency has been improved. Like all humanity, the whole body will be able to maintain its health only when all organs and numerous cells are able to normally carry out their activities. Under socialized mass production, the production activities of all departments, regions, and units cannot be carried out without coordination from the departments, regions, and units around them, that is to say, they can in no way depart from the overall national economy. During a certain period in the past, economic management was excessively rigid, and various regions and units were deprived of the necessary autonomy, and consequently there was no vitality in economic activities. Now measures have been taken to reform the economic management system and reform all the relations of the socialist production that are contradictory to the development of productivity, expand the autonomy of enterprises, introduce and perfect various forms of the production responsibility system and integrate responsibility, autonomy, and interest and, as a result, the motive force within enterprises has been mobilized and the vitality of economic activities has been strengthened, which is very favorable for the development of the whole economy. But in carrying out socialist planned economy, we must, under the guidance and

control of the whole, fully display the dynamic roles of various parts; just like the relations between "cage" and "bird," all the activities of the part must be put within the spheres that are required and allowed by the whole. No localities and enterprises are allowed to depart from state policies and rules and regulations, disperse funds at will, certain profits, arbitrarily increase costs and issue awards, transfer goods without following planning, and arbitrarily increase the prices of commodities defined by the state. Therefore we must conscientiously implement the principle of a planned economy as the main and regulation by market mechanism as the supplement, strictly practice financial discipline, and be good at using economic levers so that under state planning, various enterprises will be able to organize production according to social needs, strive to improve their management, and promote production and technology so as to make contributions to overall development.

We know that the result of mutual relations and the condition of the various parts determine the function and movement of the entity; but the formation of the entity is followed by the emergence of the characteristics that do not exist when those parts remain independent of each other, and these characteristics are moving according to an innate objective law of the entity. Under this condition, the entity governs and controls the various parts through its own inner and necessary relations. Therefore, when we are paying attention to displaying the initiative of various parts, we must do so by proceeding from the overall interest and we must also understand and handle the activities of the various parts so that within the whole, each part will be able to integrate organically and develop proportionately to attain the best overall result.

/Fourth, the interest of various parts must be arranged in an overall way according to the overall development goal and it is imperative to consider the interest of the state, collective, and individual./ To a great extent, the interest of the state, collective, and individual is realized through the relations between accumulation and consumption and reflects people's long-range interests and intermediate interests. Therefore, this question is of a great strategic significance. In studying and handling this question, we must proceed from the basic interest of the people across the country and make an overall arrangement according to specific conditions of different periods so as to avoid lopsidedness. In the past, under the guidance of "leftist" ideology, we unrealistically sought high speed in production and consequently net income was excessively centralized by the state and accumulation was too high to affect the interest of the collective and individuals and the necessary improvement of the life of urban and rural population. Since the 3d Plenary Session of the 11th CPC Central Committee, the party and government have become more concerned with people's life; the relations of distribution have been readjusted, accumulation rate has been gradually lowered, and workers' and peasants' income has increased by a relatively bigger margin. These measures are necessary and good achievements have consequently been made. But for various reasons, the proportion of the state financial revenues in the national revenues has continually decreased while some comrades are still putting great emphasis on increasing individual income. We must pay attention to this tendency of emphasizing



the importance of partial interest and it must be corrected. We must understand that when an irrational distribution relationship has been readjusted to a certain extent, it is necessary, in order to realize the strategic deployment that has been defined by the 12th CPC Congress, to promote continued and normal development of the national economy and basically make a turn for the better in financial and economic conditions to relatively stabilize the distribution among the state, collective, and individual within a certain level and properly increase the proportion of state financial revenues in the national revenues. This measure is an important matter that is related to the long-range and intermediate interests of the people and therefore it is necessary to make the broad masses of cadres and people understand the importance of this matter so that the state will have the biggest share of the distribution of the new revenues, the collective will have the medium share, and individuals the smallest share to consciously protect the interest of the state.

The various parts of the whole must be treated differently according to their importance, otherwise the interest of major parts will be affected. Our socialist country is representing the basic interest of the people and it is wholeheartedly serving the happiness of the people. The purpose of developing socialist production is to meet people's increasing material and cultural needs. But it is necessary under the premise of guaranteeing the interest of the state and, when consideration is given to the interest of the state, collective, and individual, that production must be expanded in a planned way and people's standard of living can be gradually improved on the basis of promoting production. This situation shows that under certain conditions, the relations of the unity of opposites among various parts are interchangeable. We can in no way contradict the interest among the state, collective, and individual or regard the interest among these three aspects as having nothing to do with each other. Our purpose of making a unified and overall arrangement and giving priority to guaranteeing the interest of the state and building well socialist economy as a whole is to realize still better the collective interest of enterprises and the individual interest of the people.

/Fifth, all parts of the whole are formed into an economic structure according to a certain order and limit to display the characteristics and function of the entire structure./ Under the conditions of socialist planned economy, we must not only pay attention to building well the general relations between the whole and the party but also to studying the forms of the relationship, order of circulation, and quantitative relations among various parts of the whole. This work is important and required in building a more rational and efficient economic structure for meeting the needs of various aspects in society on the basis of the material conditions and the real strength of our country so that the advantages of a socialist economy will be displayed still better. Therefore we must proceed from the specific conditions of our country, conscientiously study the mutual relations of various parts in the national economy, and acquaint ourselves with the rational order of these aspects. For example, in the relationships among agriculture, light industry, and heavy industry, among primary products, intermediate products, and final products, between basic industry and

processing industry, among agriculture (growing), forestry, animal husbandry, fisheries, and sideline production, between coastal regions and the regions in the hinterland and in distribution of fixed assets among various departments and regions, all these have to be properly arranged according to their importance and urgency and there should be quantitative relations with regard to medium and long-term development. If we are able to build a socialist economic structure with Chinese characteristics according to the level of social productivity during different periods and make a rational and proper deployment according to the total social resources, we will be able to make full use of the manpower, material power, and financial sources of our country so as to unify proportion with efficiency and speed, balance social production with social needs, promote continued and harmonious growth of the national economy, and gradually materialize our grand strategic goal.

Although there are many forms of mutual relations and mutual condition between the whole and the parts in socialist economy, they can be studied and handled from different links, sequences, and factors. And the result of the mutual act must be shown in the entity and rationality of the entire national economy so that the whole socialist economic structure will be maintained under the best conditions possible to reflect the need of objective economic law and display the strength and innate vitality of this economy.

The key to handling well the relations between the whole and the part is to improve our understanding and strengthen the thinking of taking the whole situation into account. This is an important aspect in building a high socialist spiritual civilization under the guidance of communist ideology. In order to carry out well the socialist modernization program, we must not only understand scientific knowledge of various aspects but also have a correct guiding ideology. If our guiding ideology is not correct, and is contradictory to the objective reality of socialized production, we will no doubt face various difficulties in practice and the use in practice of good scientific knowledge will be affected and consequently it will be impossible for this knowledge to display its role.

In order to understand and reform a unified and yet complex national economic system, it is imperative to do a good job of economic work. Therefore, we must carry out the education in dialectic materialism in a big way so that people's ideology will be able to reflect the need of socialist economic law and overcome the old and narrowminded thinking of giving consideration only to personal gains and losses that is practiced by small producers and that runs counter to objective situations. In analyzing the partial conservativeness of small producers, Comrade Mao Zedong said: "They see things only from the point of view of the part, they cannot see the whole and they do not want to combine the interest of today with the interest of tomorrow and partial interest with entire interest and they just tightly grasp the partial things that exist for the time being." ("Selected Works of Mao Zedong," Vol 1, p 196) The planned economy that is built on public ownership is in line with the needs of social production; but to carry out planned economy, it is necessary to

form the ideology of such economy and first of all to foster the ideology of taking the entire situations into account. Otherwise it will be difficult to consolidate and strengthen a planned economic system.

All business managers and laborers must understand the coincidence between partial and individual interest and between entire and collective interest. In socialist society, people are masters of the country. Basically speaking, the interests of the state, collective and individuals coincide. There will be individual happiness and prospects as long as all the people are working according to their ability in their effort to make contributions to society and as long as state and collective undertakings can be developed. Therefore, when there are some contradictions, we must consciously make individual interest subordinate to state and collective interest and partial interest subordinate to entire interest. As long as we are able to foster the idea of taking the whole situation into account and look forward far into the future, we will be able to free ourselves from the bondage of departmentalism and individualism and really "coordinate all the activities across the country" so as to promote the healthy development of the socialist economy.

Economic workers must study economics and must be aware of economic phenomena and their inner relations. In the past, because of management forms and division of work, some economic workers did not understand the situation of the whole and they failed to study things from the point of wide vision. There were many other problems such as that those who were responsible for industry did not understand agriculture, those who were responsible for production did not understand circulation and consumption, those who were responsible for capital construction did not understand production and circulation, and those who were responsible for domestic commerce did not understand production, consumption, and international trade. We must strengthen the dissemination of dialectical materialism, further popularize socialist economic theory, improve the level of economic theory of economic workers and the related staff, and strengthen the capability of studying and handling problems in an overall way. Lenin said: "In order really to understand things, we must study and grasp all their aspects, all relations, and all 'mediums.' We cannot do all these, but an overall requirement will enable us to prevent mistakes and stagnancy." ("Selected Works of Lenin," Vol 4, p 453) We must follow this teaching of Lenin and spare no effort to understand and reform the world in an overall way.

CSO: 4004/43

## TENTATIVE VIEWS ON INDUSTRIAL COMPANIES

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 28-32

[Article by Su Xing [5685 2502]]

[Text] Incorporating industrial companies is an important vehicle for reorganizing our industrial enterprises according to the principle of specialized coordination. In recent years many such companies have been incorporated by our industrial departments and regions and, especially since last year, industrial companies have shown a tendency to grow in the process of the organizational reform. But among the companies established so far, only a few are truly operated as business companies while most of them are still administrative ones. This shows that some units have not yet found a perfect solution to the problem of how to incorporate companies and what kind of companies should be incorporated, an issue concerning their orientation. We propose to make a preliminary inquiry into the issue in this article.

### I

It was around the middle of the 19th century that modern joint-stock companies started widespread development in the capitalist countries.

The capitalist system turned small-scale individual production into large-scale socialized production, marking a giant leap in mankind's economic development history. The trend toward socialized production was characterized by the increasingly ramified division of labor, by the increasingly greater scope of coordination and by the ever-growing large-scale production in some sectors. Individual capitalists were no longer in a position to set up certain large enterprises, which required the raising of capital by means of taking out loans or selling shares. Thus, joint-stock companies emerged.

Joint-stock companies are joint ventures incorporated according to the laws of the capitalist countries concerned. The advantages offered by this kind of companies are: 1) They may issue shares of a small denomination to raise a large amount of capital required for setting up a large-scale enterprise, which a sole proprietor or a few partners are unable to undertake; 2) they are propitious for the development of the division of

work and specialization; 3) they accelerate the takeover of small and medium enterprises by a few large ones with a huge amount of capital. Joint-stock companies have further socialized capitalist production, but they have not changed, nor can they change the nature of capitalist ownership of the means of production; instead, they have led to further concentration of a society's wealth into the hands of a few monopoly capitalists. The capitalist mode of production itself cannot resolve this contradiction, which can be resolved only by abolishing private ownership of the means of production and instead establishing public ownership of the means of production.

The material and technological basis of a socialist society is also large-scale socialized production. After abolishing capitalist private ownership of the means of production and establishing public ownership of the means of production, it is still necessary to make use of the type of large-scale socialized production organization forms such as joint-stock companies and trusts and to use their experience in management to serve our socialist economy. This point was repeatedly emphasized by Lenin after the October Revolution had taken place in Russia. In his polemic with "leftist" communists, he even said: "Only those people who realize that without learning from the organizers of trusts it is impossible to create or realize socialism, may deserve to be called communists." ("Selected Works of Lenin," Vol 3, p 555)

As an organizational form for socialized production, the type of economic organizations, such as joint-stock companies, should be even more suited to public ownership of the means of production, because under public ownership of the means of production, there is a community of basic interests for all the enterprises, which may, guided by government policies and according to the principle of voluntary participation and reciprocal benefit, extensively engage in organizing companies and all kinds of joint ventures without being under the constraints inherent in private ownership.

Of course, there are basic differences between socialist and capitalist companies. While learning from capitalist companies and trusts, we should mainly learn from their experience in organizing large-scale socialized production, especially their experience in specialization and amalgamation. We must not copy everything indiscriminately. As to how a socialist country should organize its industrial companies, we should mainly learn to create them through our own practice.

Our industrial companies represent a new type of socialist company. Their development went through a zigzag process.

Our earlier companies were born during the socialist transformation. Following the establishment of the joint state and private ownership, some large and medium-sized cities organized a number of industrial companies on the basis of coordination by product and by trade. These companies were basically administrative organizations.

During the "First 5-Year Plan" period, our country built quite a number of large enterprises in a planned way. Today, these enterprises are still the backbone of our industrial production. Since our industrial base at that time was poor and we did not give due consideration to coordinated division of labor, we built, in the majority of cases, "big and self-sufficient" factories. Following the further development of our industry, the disadvantages of this kind of factory were revealed. In the mid-60's, the CPC Central Committee called on our industries to engage in specialized coordination and decided to carry out a step-by-step reform in our industrial management, starting with the establishment of trusts in some industrial departments on a trial basis. Starting in 1964, 12 such national business companies were formed, including the China National Tobacco Industrial Corporation, the China National Pharmaceutical Industrial Corporation, the China National Rubber Manufacturing Corporation, and the China National Aluminum Manufacturing Corporation. Although the trial runs of these companies did not last long, their results were significant. But, during the "Great Cultural Revolution," they were censured for following the "revisionist line" and thus some were forced to break up, with their factories returning to the former management method, while others moved backward to become administrative companies.

After the downfall of the "gang of four," the issue of enterprise reorganization and amalgamation was again raised. In 1978, as a remedial measure to correct multileadership and dispersed management in our industry, many large and medium-sized cities changed the industrial management system at two levels, that is, at the municipal and district levels, taking over district-run industries, abolishing district industrial bureaus and setting up a batch of specialized companies and general factories by trade. The majority of these companies were also administrative ones.

In 1979, the State Economic Commission started to experiment with business companies. Experiment regulations stipulated that a business company was an amalgamation of enterprises carrying out coordinated specialized production on the basis of socialist public ownership. It was an economic organization with independent accounting and a planning unit guided by the national plan; it was a management unit centrally directing the factories and mines under it, organizing coordinated division of labor and bearing economic responsibility vis-a-vis the state and the affiliated units and it had the status of a legal entity. This means that a business company should be an economic entity providing unified management for production, supply and marketing, labor power, and finance. Accordingly, many provinces and cities established a number of business companies and general factories. Their organizational aspects were as follows:

1. Enterprises which were interdependent in respect of application of resources, technology, and production broke through interdepartmental barriers to amalgamate;
2. Medium and small enterprises producing the same products with similar technology in such a way that "the same product was manufactured in many factories and a factory made many kinds of products," and amalgamated and

carried out division of labor and specialization so as to form a relatively complete system of specialized production coordination;

3. A number of small factories producing similar products amalgamated to serve a specialized factory and, once reorganized, each of them specialized in manufacturing some parts and subassemblies to be assembled into complete sets of equipment at the specialized factory so as to expand production;

4. A part of backbone enterprises in the same industry amalgamated to provide uniform management for production, supply and marketing, and labor power and finance while the remaining enterprises formed a loosely amalgamated entity;

5. Setting up companies or service centers according to the principle of technology specialization.

Besides, some horizontally integrated industrial and commercial companies and industrial and foreign trade companies were also established to provide uniform management for both supply and marketing or for either of them. This type of company included business companies and semibusiness companies.

## II

What are the advantages offered by business companies? According to what the author saw during a recent survey on some of the companies in three provinces and cities in east China, there are at least the following advantages:

First, they are propitious for readjusting and reorganizing our enterprises according to the principle of specialized coordination and for carrying out gradual technical transformation.

The Shanghai Standardized Piece Parts Company was set up in 1956, when the movement of establishing joint state-private ownership climaxed. As a result of several subsequent reorganizations, it now has 44 factories. Prior to the inception of the experiment with business companies approved by the State Economic Commission, it was basically an administrative organization. Following the experiment, the enterprises have been given a greater amount of autonomy. The company is responsible to the state for fulfillment of state plans, while within the company, the factories are responsible to the company and economic accounting is carried out on two levels; necessary readjustments in planning, statistics compiling, fund channeling, and material supply have also been made so that the company may deal directly with the finance authorities and other departments concerned and provide unified management for production, supply and marketing, and labor power and finance, thus creating conditions for the company to reach a more advanced production specialization stage. At present, the division of labor and specialization among the factories under this company are at an advanced stage with no factories making the same product; the reorganization and amalgamation have provided the company a basis for carrying out systematic technical transformation, installing multistage automated assembly lines,

and strengthening and improving management, and thus remarkably raising the level of economic results. In 1982, the company's total output value, productivity, and profits yielded all went up by more than 10 percent over the previous year; regarding fastening parts, the company's personnel accounted for a good 10 percent of all the nation's workers engaged in this line, its output volume and output value accounted for one-third, and its profits turned over to the state accounted for two-thirds; as to welding rods, the company's personnel accounted for one-twelfth of all the nation's workers engaged in this line, its output accounted for one-fourth and its profits turned over to the state accounted for one-half.

Second, they are propitious for breaking through interdepartmental and intersectoral barriers and as a result raw materials may be processed and utilized to the degree permitted by the production procedure and technology involved.

Jinling Petrochemical Corporation (head office) of Jiangsu Province was set up in January 1982, as the amalgamation of seven petrochemical enterprises: Nanjing refinery, Xixia fertilizer factory, Nanjing alkylbenzene factory, Nanjing chemical factory, Zhongshan chemical factory, Nanjing plastic factory, and Changjiang petrochemical factory. Being contiguous to each other, or in a material supplier-user relationship or closely related in production, these factories provided good conditions for rationalizing resource utilization so as to achieve better economic results. But prior to the establishment of the company, there had been barriers between these factories since they had been under three ministries (petrol, chemical industry, and light industry) and three levels of authorities (central, provincial, and municipal), respectively; thus it had not been possible to coordinate their productive and marketing operations with a view to attaining better economic results. Now they have formed an economic entity with unified management for production, supply and marketing, and labor power and finance and the company has taken a first series of actions to organize from the production center, purchase orders, foreign trade, and supply and sales contracts, and has quickened the pace of technical transformation through centralized planning. The amalgamation started to show its advantages. Compared with 1981 figures, the year prior to the amalgamation, 1982 showed an 8.2 percent increase in total industrial output value, of which quality products accounted for 15.7 percent from 1981's 7 percent, a 2.4 percent reduction in comparable costs and a 9.6 percent increase in profits turned over to the state.

Third, they are propitious for improving management and expanding domestic and international markets, thus turning enterprises into economic organizations in charge of both production and marketing operations, instead of production alone.

The Nanjing Municipal Textiles Corporation has 35 factories under its direct control, of which 18 are owned by the whole people, 16 by the collective, and 1 jointly by the whole people and the collective. In 1980, the corporation started to provide 10 of the factories owned by the people (accounting for 75 to 80 percent of the output value and profits) with unified



management for their production, supply and marketing, and labor power and finance, while respecting the grassroots enterprises' autonomy. It adopted a loose form of amalgamation for the remaining factories, fixing a uniform profit retention rate for them (the corporation retained its administrative functions). After its establishment, the company fostered the marketing-orientated conception, giving production arrangement priority to marketable products; it subordinated all items of work to market demand insofar as better economic results could be attained; it put emphasis on grasping sales and setting sights on foreign and rural markets. Thus the company took on a new look characterized by a larger number of designs and variety, better quality, and better economic results. Its total industrial output value went up 22.93 percent in 1980 over 1979 and 15.28 percent in 1981 over 1980; in 1981, first grade products accounted for as much as 82 percent and quality variety rate reached 59.15 percent, exceeding the 45.27 percent mark for the province; in 1981, there was a 49.3 percent increase in profits over 1978 and a 20.45 percent increase in output value per 100 yuan of fixed assets employed. In 1982, in spite of the difficulties due to changes in the textile products market and output restriction on some products, the company basically fulfilled that year's production tasks through market surveys, product quality, and variety improvement and also a great deal of sales promotional work.

Fourth, they are propitious for an increase in output, the amount of product variety, and economic results. There is no need to enumerate examples illustrating this advantage.

Although business companies' advantages are witnessed and recognized by all, there are many difficulties in setting them up. Therefore, the number of such companies is not yet very large. Even in Shanghai, such companies account for only about 10 percent. Why have business enterprises been developing at a slow pace, as if they were crippled? According to reports from all sides, there are the following reasons.

1. The barriers between departments and regions at different levels prevent people from properly resolving many contradictions, for each of the departments and localities has its own system and its own particular interests. Some departments are reluctant to relinquish enterprises to lower levels, and some even want to take over enterprises from below under the pretext of setting up national companies and to have enterprises already relinquished to lower levels "managed in the way they were managed in the past." Provinces hold that for some sectors of vital importance to the provincial people's livelihood and financial revenue, provincial companies should be set up for provinces, regions and districts to make complete sets of industrial equipment. Municipalities advocate that cities should be used as the mainstays, otherwise, the policy of letting central cities play an active role in organizing the economy will fall through. Under such circumstances, we are bound to encounter many difficulties in setting up companies and it won't be easy to consolidate them once they are set up.

2. Companies are cross-sectoral and cross-regional economic organizations, while our current economic management, including planning, financial, loan

administration and allocation of materials, is conducted according to administrative fiat and thus is a handicap to the development of companies not dovetailing with them. For instance, even after their incorporation, some companies are not regarded by the Ministry of Finance as independent accounting units, banks refuse to let them open accounts, targets in the national plan are delegated to provinces and cities direct, and materials are also allocated to provinces and cities. Under such a system, it is impossible for companies to flexibly employ funds and materials.

3. Some policy issues have not yet been properly solved. For instance, many companies are still having the problem of paying double taxes on their parts and subassemblies. The value-added tax introduced in the machine-building industry in 1981 on a trial basis is not yet flawless and besides, has not been experimented in by the overwhelming majority of our industries.

4. While setting up a company, one may encounter all kinds of resistance of an ideological nature due to disparity of interests between different departments and regions and due to the trammels of conventions resulting from separate management for different departments and regions over a long period. For instance, in the amalgamation process, some comrades fuss about who will manage whom, under whose management they will be, and who will be the chief manager; the main factory worries about possible disadvantages due to product quality deterioration while the good subsidiary factories are unwilling to amalgamate and the poor ones would "rather be a chicken head than an ox tail." Therefore, only if we undertake repeated ideological work as required and give due consideration to the interests of all concerned can amalgamation take place.

### III

How to develop industrial companies? In my opinion, at present, the following problems are to be solved.

First, while developing widespread amalgamation, the emphasis should be placed on properly operating business companies or general factories.

Industrial enterprise reorganization and amalgamation are a part of the economic system reform. The purpose of the reorganization and amalgamation is to raise the level of economic results. Amalgamation may take on many forms and companies represent only one of the forms. The form to be adopted depends on the magnitude of economic results. As a management form for large-scale socialized production, companies are not the form suitable for all trades. The thought of forming companies in all trades and industries in fact amounts to envisaging matters from the angle of administrative management. Judging by the experience of some regions, the enterprises which currently have an urgent need for reorganization and amalgamation into companies are mainly found in the machine-building, petrochemical, textile, and electronic industries (some light industry trades, such as watches, bicycles, and sewing machines, also need to amalgamate). In these trades, division of labor is well developed and there are close

connections between enterprises in resource utilization and production technology, thus amalgamation may immediately lead to the formation of new productive forces, producing relatively quick results. These are priority trades for setting up business companies or general factories.

There are no substantial differences between general factories and companies, for both are economic entities providing unified management for production, supply and marketing, and labor power and finance. The difference is that a general factory is the amalgamation of several small and medium enterprises with a large enterprise, with no new company being formed. Thus, its small scale facilitates the factories to adjust their respective interests: since no additional management levels are created, it is relatively easy to run a general factory, favoring the attainment of better economic results. At present, the management level of our enterprises is not high and thus it seems more realistic to set up more general factories.

Joint ventures differ from companies and general factories in that they are a kind of loose amalgamation held together mainly through agreements and contracts. But this kind of amalgamation has great adaptability and greater flexibility, for its forms are multifarious. Classified by trade, there are joint ventures by industrial enterprises, joint ventures by industrial and agricultural units, joint ventures by industrial and commercial enterprises, joint ventures by industrial and foreign trade units, and joint ventures by production and research units; classified by administrative area, there are cross-provincial, cross-city, cross-regional and cross-district joint ventures; classified by ownership, there are joint ventures by state enterprises, by state-owned and collective-owned enterprises, by collective-owned enterprises, and so forth. Some of these joint ventures may ultimately become companies or general factories, but such transitions are neither a likely process nor necessary for the overwhelming majority of them, which will coexist with companies and general factories for a long period of time. Therefore loose amalgamation is applicable to a part of joint ventures only.

Second, the majority of companies should be formed by taking central cities as their main support and by breaking through interdepartmental and inter-regional barriers.

National companies should be formed in some trades. For instance, railways, post and telecommunications, and civil aviation have been national companies all along although they perform certain functions proper to administrative organizations. In recent years, shipping, petrochemical, and motor car industries have also formed national companies. Some other trades with development priority and specialized marketing trades may also form national companies. But, since this type of company is characterized by concentration and a large scale, they are not suitable for all trades and sectors. In 1964, we made the mistake of being prone to overconcentration while experimenting with national trusts. In the 1970's, Hungary started to merge enterprises and set up trusts, most of which have been dissolved in recent years for fighting monopoly and protecting competition. In some

developed capitalist countries, large companies are in a monopoly position, but almost not a single trade is monopolized by one company; instead, there are always several companies in competition. All these experiences need study.

At present, the overwhelming majority of our provincial companies are of an administrative nature. Imposing the establishment of business companies will result in the supply of assembly parts by distant factories and in redundant subsidiary factories at different locations. This is economically irrational. Considering the current trend of putting counties under city jurisdiction, companies will sooner or later take central cities as their support bases. So, it would be better not to develop provincial companies any more. In the current organizational reform, some provinces intend to change their existing departments and bureaus to companies. Some of this type of company have merely given the signboard of a company name to the originally administrative organizations while others have made minor changes within the framework of administrative organizations. Once a company is set up, it will often expand, recruit many new employees, and ask enterprises to pay charges which merely represent an additional burden on enterprises. So the enterprises have remarked that this practice amounts to "spending money to buy a grandma" and it would have been better to keep status quo ante. Since our provinces are relatively large ones with a complex economic structure, it is impossible to abolish all the economic administrative organizations, of which the functions cannot be taken over by provincial companies even if such companies are set up. Provincial economic administrative organizations may play a role in implementing state plans, policies, and decrees, in formulating unified provincial plans, and in organizing cooperation between provinces and cities and may give up direct control over the production, supply, and marketing of enterprises in the future when the necessary conditions have been created. Thus, the separation of administrative organizations from enterprises will make it possible for the former to be greatly streamlined and raise the efficiency of administrative work.

From now on, companies with central cities as their main support bases should gradually become the major form of companies. This type of company takes central cities as its supporting base, but does not form independent systems within the confines of central cities. Instead, it will develop amalgamation between trades and regions by taking enterprises located in central cities as the mainstays. This kind of amalgamation may either take the form of branch companies or be based on long-term agreements on production integration so that many forms of integration may develop. The Shanghai Light Industry Machinery Corporation, which is the amalgamation from 1981 of machinery enterprises in Wuxi, Haimen, Wujin, and Shazhou and some other districts of Jiangsu Province into enterprises in Shanghai, has produced very good results. It appears that this type of amalgamation may be developed to set up companies for the production of brandname products which are competitive both in the domestic and international markets. A criss-cross pattern of multifarious amalgamation forms will gradually lead to the development of an economic network.

Now we should take heed to prevent cities from forming self-centered systems within their jurisdiction once districts are put under their direct administration. Since the very purpose of putting districts under city jurisdiction is to develop commodity production and exchange by breaking up interdepartmental and interregional barriers, the formation of self-centered systems in cities, which are but new interdepartmental and interregional barriers, will run counter to our intent.

In the second place, we should properly handle the relations between the company and its factories so that both will display their maximum initiative.

Currently there are three accounting forms within a business company: unified accounting at the company level, with its factories as internal accounting units; accounting at both company and factory levels, with factories as major accounting units and consolidation of accounts done by the company; coexistence of unified accounting at company level and accounting at both company and factory levels. As to what accounting form a company should adopt, this depends on its product mix and scale. Generally speaking, apart from a small number of companies which produce a single product and thus have little difficulty in adopting a unified accounting system, the two-level accounting system is more frequently adopted. For instance, the Shanghai standardized piece parts factory has adopted the following method in accordance with the principle of centralized direction and decentralized management: Production assignments are taken by the company centrally while contracts are signed by its factories individually; for raw materials, the company places orders, reforms systems, and keeps accounts centrally and then allocates them to each factory, turning the two-level storage system into a one-level storage system, reducing inventories and accelerating capital turnover; marketing is put under central management so that the communication of information is fast and products meet the requirements of the domestic and international markets. Since its establishment, as a result of improved management, the technical transformation has been accelerated and the factories have always been highly enthusiastic. According to one view, the relationship between a company and its factories should be: the company manages marketing operations and the factories manage production. Such simplification is not necessarily appropriate. The company and its factories may put emphasis on marketing or production respectively, but since the two kinds of activities cannot be isolated one from the other, both the company and its factories should set great store by production as well as by marketing.

Finally, the planning, financing, loan, and material supply systems should meet the company's requirements. Since a company is an independent accounting unit, all the ministries should deal directly with it, instead of bypassing it to deal with its enterprises direct. Thus, it is necessary to reform some of the existing administrative systems. This is a relatively far-reaching issue and therefore should be studied as a separate topic.

CSO: 4004/43

## INTELLECTUAL RESOURCES DEVELOPMENT AND ECONOMIC INVIGORATION

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 33-38

[Article by Luo Jingbai [5012 0513 2672]]

[Text] In his government work report presented at the First Plenary Session of the Sixth NPC, Comrade Zhao Ziyang greatly stressed intellectual resources development, put forth a series of measures for strengthening cultural construction, which are centered around the development of education, science, and technology, and said that this is a necessary precondition for economic invigoration. Why is intellectual resources development raised to such an important position? What is its relationship with economic invigoration?

### Intellectual Resources Development Is a Motive Force Behind Economic Invigoration

In the invigoration of a modern economy, attention must be paid to intellectual resources development. This extremely important conclusion, based on basic historical materialistic principles, has been derived through summing up the historical experiences of various nations' economic and social development as well as the positive and negative experiences of our country's socialist construction over the past 30 years or more, and through looking forward to the future trend of development.

History is created by the masses of people. Social wealth is created by the labor exerted by the masses of people. However, in the past, there was a misunderstanding which held that this labor merely referred to physical labor. The role of mental labor in economic and social development was often ignored. This view was not compatible with the reality of historical development. According to anthropological, archaeological, and medical studies, there is not much difference between modern man and ancient man in physical strength. However, because of differences in the degree of intellectual development and in the means of knowledge and means of labor that are created and used by man, there are great differences in the ability to understand and transform the world. With the development of productive forces and the upgrading of the scientific and technological standards, the role of the factor of intellectual resources in production becomes increasingly more important. Therefore, Marx held that an

important source of development of productive forces is "the development of intellectual labor, in particular, of the natural sciences." ("Collected Works of Marx and Engels," Vol 25, p 97) Comrade Deng Xiaoping made this profound remark: "Among various productive forces, man is the most active factor. Man here refers to people who can use means of production to produce material resources by virtue of their scientific knowledge, experience in production, and working skills." ("Selected Works of Deng Xiaoping," p 85) Today, to invigorate our economy, we must pay attention to intellectual resources development, vigorously raise the scientific, technological, and cultural standards of the whole nation, and thus create a powerful motive force for a vigorous development of the productive forces.

Strengthening intellectual resources development is a general trend of modern economic development. Both the United States and the Soviet Union attach relatively great importance to the development of education and science. According to estimates by the U.S. National Bureau of Economic Analysis, from the 1870's to the 1970's, the average annual economic growth in the United States was 3.5 percent, out of which only 1.7 percent was accounted for by increases in capital and labor force, while the other 1.8 percent was due to the use of new technological equipment and the upgrading of the working personnel's educational standard. According to estimates of the Soviet economist Ke-ma-le-fu [4430 7456 3157 1133], some 80.1 percent of the total growth in the Soviet Union's national income between 1961 and 1975 was due to the raising of labor productivity. Out of this, 43 percent was due to an increase in the proportion of technological equipment, while 37.1 percent was due to the raising of the educational standard. The economies of West Germany and Japan were seriously impaired in World War II. However, because previously they had paid attention to intellectual resources development, because they could preserve their relatively solid foundation of intellectual resources, and because they attached even greater importance to intellectual resources development after the war, their economies have revived and developed very rapidly. These successful experiences in modern economic development should be used for our reference. It should be particularly noted that in various economically developed countries, with the advance of science and technology and with an increase in the degree of socialization in production, the number of mental workers and skilled technical workers has been rising to an increasingly larger proportion of all workers. For example, in 1975, in the United States, the scientific and technical personnel amounted to 15 percent of the total employed work force (against 7.6 percent in 1950), and skilled workers amounted to 40 percent of all workers (against 34.5 percent in 1950). In the Soviet Union, the proportion of scientific and technical personnel in all workers and staff employed by industrial enterprises rose from 7.8 percent in 1940 to 13 percent in 1977. This general trend of development of social division of labor forces us to pay attention to intellectual resources development and to acknowledge it as a necessary precondition for economic invigoration.

Over more than 30 years, in our country's socialist construction, because of the influence of the "leftist" mistake of discriminating against intellectuals, and because of the limitations of the small-scale production

mentality, inadequate attention was paid to intellectual resources development for a considerable number of years. We used to believe that more people could do a better job and we relied on launching mass movements to carry out construction. However, not only could we not effectively develop production, but we caused enormous waste and impairing of human and material resources. Some comrades hold that Japan pays attention to intellectual resources development because it has few resources and has no other way out, but our country is in a different situation. True, ours is a big country abounding in natural wealth and really having abundant natural resources useful for the development of production. However, owing to the large population, the per capita quantities of farmland and other resources are not substantial. Many items are still below world averages. Our economy can hardly develop substantially unless we pay attention to developing the people's intellectual resources, pay attention to raising our standard of science, technology, and management, and try our best to lower the average consumption of energy resources, materials, and raw materials in producing each unit of product. Our country has a large population and a large labor force. This is naturally a major superiority in economic invigoration. However, only under the condition that we adequately attach importance to intellectual resources development and raise our scientific and cultural standards, can our abundant labor force resources be more rationally and effectively integrated with our limited natural resources, and can our superiority of having a large population be fully brought into play.

#### Raising Our Scientific and Technological Standard Is the Key to Intellectual Resources Development

The primary task in intellectual resources development is to develop science and technology. Science is a system of knowledge about nature, society, and man's thinking. Darwin said: "Science is the systematization of facts in order to derive general laws or conclusions." It is the basic task of science to discover the objective laws governing the development of things and to seek objective truths. The knowledge that can best reflect a thing's nature is an understanding of the laws of that thing's development. Therefore, considering all cultural factors such as science, literature, and art, the degree of scientific development generally and invariably represents and determines the level of intellectual development of a period. Raising the scientific standard is the key to developing a nation's or a country's intellectual resources.

Natural sciences constitute a category of productive forces "in the form of knowledge." Generally, this category of productive forces can be converted into direct productive forces and only through technology. What is technology? Technology consists of various processes, methods, and skills of technical operation, which are developed according to practical experience and principles of natural sciences, as well as corresponding means of production and other material equipment. In the past, under the condition of handicraft labor, technology was merely some fully developed skills monopolized by craftsmen of various trades. The upgrading and development of production techniques mainly depended on the accumulation of workers' personal experience. At that time, science was only incorporated in



philosophy. It was divorced from technology and played a very insignificant role in production. In the Industrial Revolution of the 18th and 19th centuries, machinery was used to replace manual work and the forces of nature were used to replace manpower. Consequently, the relationship between science and technology, and that between science and production, basically changed. Marx said that an important distinction between large-scale production with the use of machines and manual production was that "the conscious application of the natural sciences replaces the set conventions derived from experience" ("Collected Works of Marx and Engels," Vol 23, p 423) and that "the entire production process is not subordinate to the workers' direct personal skills, but to the application of science to technology." (Draft of "Outlines of a Critique of Political Economics," Book 3, p 349) With a further development of the productive forces, it becomes more necessary to depend on science and technology. In analyzing the conditions for the development of capitalism, Marx said that the development of the productive forces and the creation of surplus value are not simply tantamount to an increase in the quantity of labor. More importantly, they involve the widening of the qualitative differences of labor and the creation of qualitatively different sectors of production. Thus, "it is necessary to explore the entire natural world in order to discover new and useful characteristics of things," and to "use new (artificial) ways of processing natural substances." Therefore, it is necessary to try the best to develop the natural sciences. ("Collected Works of Marx and Engels," Vol 46, Part 1, p 392)

Compared with the science and technology of the 18th and 19th centuries, modern science and technology have many new characteristics, the most important being that there is an even closer relationship between modern science and modern technology, between modern science and modern production, and science and technology plays an even more conspicuous role as a new factor among the productive forces. The earliest steam engines and spinning machines could be invented by experienced craftsmen. Now, without the development of basic sciences such as modern physics, chemistry, biology and mathematics, it is absolutely impossible to rely on exploration based on experiences alone to create the most sophisticated techniques, such as those connected with semiconductors, lasers, remote sensing, phototransmission fibers, low-temperature superconduction, genetic engineering, and so on. Similarly, without the overall development of modern science and technology, there would not be any nuclear powerplants and equipment, offshore oil extraction equipment, astronautical equipment, complete sets of communications satellite facilities, audiovisual consumer goods such as television sets, recorders, and video-recorders, as well as the birth of a series of new industrial sectors. With the development of modern science and technology, new energy resources and other resources are continually developed, new high-efficiency, energy-saving machinery and techniques as well as new materials with special properties are created, and new varieties of plants, animals and microorganisms are bred by new methods. Consequently, labor productivity is rapidly raised, new sectors of production are opened up, and a new industrial structure is formed. In particular, the development of information science, electronic technology, robots, and other automation techniques incorporating artificial intelligence, all of

which are centered around the computer, has greatly changed the nature of labor, enhanced man's creativity in work and ability of management and control, led to a new industrial revolution, and raised social productive forces to a new level. Therefore, the role of science and technology in the national economy has become increasingly more important.

The socialist system has provided a broad path for the development of science and technology and its application in production. Some items of our successful experience in recent years have also completely proved the enormous role of science and technology in economic development. Recently, the science section of GUANGMING RIBAO conducted a survey on the application and popularization of 245 items which won the state's invention awards. Out of these items, 75 inventions, in their application and popularization, created a total value of 10.74 billion yuan by promoting agricultural production, by generating industrial profits, by reducing costs, and by making use of waste substances. This value does not include certain indirect economic benefits, the saving of foreign exchange, and some social benefits which cannot be expressed in monetary terms. In the city of Shashi in Hubei, new technology and equipment have been vigorously used. The increase in the value of the city's output due to technological advances has been around 30 percent of the annual net increase in output value. Another example is the city of Xiangfan. From 1979 to 1981, for 7 industrial bureaus under the city authorities, technological progress accounted for 29 percent, 45 percent, and 60 percent of their net increases in output value, profits, and tax revenue respectively. For these cities, a mere initial effort has enabled science and technology to exert such marked effects on economic development. If various localities over our country attach importance to science and technology like those cities and make persistent and unremitting efforts, how great will be the promoting effect on the development of our entire economy!

Strengthening scientific and technological work is also an urgent task in some special senses. In order to achieve economic invigoration in the coming decade, we must vigorously tackle and resolve many scientific and technological tasks in many areas, such as the raising of grain output per unit area of farmland, the development of energy resources, the building of communications facilities, the technological transformation of old enterprises, the building of new industrial sectors, and so on. Generally speaking, the development from a breakthrough in a major scientific or technological task to its application in production or construction involves a relatively long cycle. Unless we start to grasp research now, the economic invigoration of the coming decade will be delayed because of a weak scientific and technological foundation. At the National Scientific and Technological Awards Meeting, Comrade Zhao Ziyang discussed the relationship between scientific and technological progress on one side, and the attainment of the strategic goal of quadrupling the annual total value of industrial and agricultural output on the other side. He said: "Unless we rely on scientific and technological progress, there will be a danger of failure to attain this goal. If we rely on scientific and technological progress, the attainment of this goal is really feasible." We should fully acknowledge this key role of science and technology.

## Education Is the Basis of Intellectual Resources Development

We stress the key role of science and technology. However, how can science and technology as a productive force be turned into a direct social productive force? The productive forces consist of two basic factors: First, the means of production, and second, the labor force. Science and technology must leave the laboratory and go through a series of research, trial manufacturing, and production processes before it can be materialized into large quantities of various categories of advanced means of production. Thus, various scientists doing research in basic theory, application, and resource development as well as various experts in design, manufacturing, and management are necessary. Moreover, there must be tens of millions of workers who possess the requisite scientific knowledge and experience in production, who can operate these advanced means of production, and who master the corresponding technological processes, methods, and skills. The experience of many countries which have attained a high level of development in production has demonstrated that in developing the productive forces, the mere possession of advanced equipment is not sufficient; what is more important, the ability of those who manufacture and operate such equipment must be upgraded. The basis of the training of qualified personnel lies in education. Science and technology can be converted into direct social productive forces only through education, and through the development of workers' intellectual resources. Comrade Deng Xiaoping said: "If we want to achieve modernization, the key question is that we must be able to make advances in science and technology. To achieve scientific and technological development, we must grasp education." ("Selected Works of Deng Xiaoping," p 37)

In the era of small-scale production by means of manual labor, people's experience accumulated in production was not systematized and formulated into recorded knowledge. Once such experience was separated from the workers themselves, it usually ceased to exist. Therefore, it could only be passed from father to son or from master to apprentice in the labor process. With the birth of large-scale production involving the use of machinery, the entire production process no longer simply depended on the workers' personal experience and skill, but it began to be more dependent on the conscious use of science and technology. Therefore, the teaching of science and technology through special education and training programs has become an indispensable means of keeping up and developing social production. Through well-aimed selection and condensation, modern education systematically and concisely provides students with scientific knowledge. Moreover, based on the scientific study of laws of cognition and through a series of teaching activities, education consciously upgrades and transforms man's cognitive ability by scientific methods, so that while the learner acquires new knowledge, he also develops the ability to master new knowledge and develop new knowledge by himself. Thus, education is the most effective and most essential means by which man inherits the knowledge and experience accumulated in the past, and is the basis of intellectual resources development.

Modern science and technology develops very rapidly. Knowledge is growing at a tremendous speed. Without the systematic summing up, processing, and straightening out of knowledge by various kinds of textbooks, and without the use of scientific educational methods to develop students' ability of self-learning, thinking, research, and expression, no one can assimilate the abruptly growing mass of knowledge and continue to advance on this basis. Because of the rapid increase in the new fruits of science and technology, the cycle involved in the development from making a scientific invention or discovery to its application has become increasingly shorter, the cycle of obsolescence of knowledge has also greatly diminished in length, and the speed of replacement of old knowledge by new knowledge has drastically increased. According to statistics, in the developed industrial nations, during the 15 years from 1950 to 1965, because of the rapid development of automation techniques, more than 8,000 old technical occupations in the original industrial system were abolished, while over 6,000 new technical occupations emerged. In view of this new trend in the development of science, technology, and production, we must not only pay attention to providing education for young people, but must pay great attention to various categories of in-service training for adults.

The problem of qualified personnel has become an increasingly more acute problem in our country's socialist modernization. According to initial estimates by departments concerned, to make preparations and lay a foundation for our economic invigoration of the 1990's, we need approximately an additional 14 to 15 million qualified graduates from universities, middle schools, and technical schools. However, if the scale of our existing universities, middle schools, and technical schools remains unchanged, they will provide only 7 or 8 million graduates in the 1980's, resulting in a shortage of around 50 percent. Therefore, to vigorously develop secondary and higher technical education and to speed up the training of various categories of qualified personnel needed for our construction should be the key task of our current intellectual resources development. The training of specialized qualified personnel, in particular, top-level qualified personnel, entails a very long cycle. Unless we start now to adopt practical and effective measures to grasp the building of secondary and higher technical education, as we grasp capital construction in the key areas of energy resources, communications and so on, the economic invigoration of the 1990's will be seriously affected.

The top-level, intermediate-level, and lower-level specialized qualified personnel must form a rational intellectual resources structure if they are to play their role most effectively. In the past, we did not attach adequate importance to technical institutions, short-term universities, secondary technical schools, craftsmen training schools, and senior secondary vocational schools, so that there is a lack of qualified personnel at the intermediate and lower levels. Such personnel and top-level personnel cannot form a rational combination. In some units or sectors, there is an inverted pyramidal structure, or an anomalous structure which is fat at both ends but narrow at the middle. Some elderly or middle-aged qualified specialists are forced to do the work for intermediate or lower level qualified personnel. This situation is not only disadvantageous to the

strengthening and consolidation of the technical force at the forefront of production, but also leads to serious waste in educational investment. Concerning the setup of various professions, over a considerable number of years, insufficient importance has been attached to those in the field of arts. In particular, the lack of qualified personnel in the realms of politics, law, economics, and management has seriously affected various aspects of our construction. Concerning the applied sciences, the training of qualified personnel in the fields of agriculture, light industry, energy resources, communications, and so on has been inadequate and unable to meet the need of developing these sectors as key ones. With regard to science, biology and geography are among the weak links. Therefore, in the development of education, it is particularly necessary to strengthen the overall forecast of the needs for various categories of qualified personnel. While developing secondary and higher technical education vigorously and in a planned way, we must grasp the structural reform of secondary and higher education as well as strengthen and develop craftsmen training schools, thus basically ending the irrational situation of our intellectual resources composition. Education is the basis of intellectual resources development. In turn, secondary and primary education is the basis of this basis. Only by laying a good foundation at the secondary and primary levels can large numbers of qualified personnel be trained quickly. To ensure the good quality of primary education, we must strengthen pre-school education. At present, an increasingly larger number of cadres, workers, peasants, and young people, through their own personal experience, have more deeply understood the importance of science and education. A nationwide upsurge in studying has arisen in the cities and in the countryside. Our task is to use the state's resources to simultaneously mobilize the enthusiasm of various localities, various departments, various units, and the broad masses of people and, in accordance with the requirements of our constitution, to gradually popularize free primary education, develop various types of secondary education, education for workers and education for peasants, and grasp the elimination of illiteracy, particularly illiteracy among young and middle-aged people, so that the nationwide upsurge in studying can be further developed and consolidated, becoming a powerful motive force behind the building of our socialist spiritual and material civilization.

Cultural sectors such as the press, publication agents, broadcasting stations, television stations, and so on, constitute an important front which caters to the entire society and helps develop the people's intellectual resources. To develop the whole nation's intellectual resources, we must pay attention to the overall development and building of these sectors. Communications satellites used for television broadcasting are an outstanding achievement of modern science and technology. For a country with a vast territory such as ours, to quicken the development of such satellites and thus to basically solve the problem of the percentage area covered by radio and television broadcasting is a measure of strategic significance in intellectual resources development. To end the backwardness in a planned way, in culturally related industries such as papermaking, printing, photographic film, recording tapes, video recording tapes, and so on, is an important condition for the strengthening of intellectual resources

development. With the development of production, the raising of educational and living standards, and the tremendous development of electronic technology and information science, the proportion of culturally and intellectually related consumption in people's consumption pattern will continually increase. In recent years, many traditional industrial sectors in the developed countries of the West have been suffering from stagnation and decline. However, the above-mentioned culturally and intellectually related industrial sectors (including the children's toys industry) have always been on the rise. The majority of these sectors consume small quantities of energy resources, materials, and raw materials, create a high value in production processes, can provide many employment opportunities, and have broad prospects of development. In the course of our economic invigoration, while vigorously developing material production, we must, in light of the actual needs of our intellectual resources development, keep pace with this new modern industrial development and pay attention at an early time to the sectors related to the production of information.

#### Investment in Intellectual Resources Development Is the Kind of Investment Which Yields the Greatest Benefits

Marx said: "The appraisal of science, as a product of mental labor, is always far below its value." ("Collected Works of Marx and Engels," Vol 26, Part 1, p 377) Similarly, over a very long period of time, our appraisal of the benefits arising from investment in intellectual resources development was always inadequate.

Science, as a productive force in the form of knowledge, has many characteristics different from those of the material means of production. The material means of production used in social reproduction can be processed into new products with a different value only by being continuously consumed in the production process. Science as a productive force in the form of knowledge is different. While its role is brought into play in production, it is not consumed at the same time. Instead, it can be continuously and repeatedly used in terms of time and space. It continually creates new value through man's labor. We must fully understand this characteristic of science and technology and fully acknowledge the enormous economic benefits yielded by investment in developing science, technology, and intellectual resources.

People often fail to see that the labor expended in reproducing a kind of scientific knowledge through education differs completely from the labor expended in the initial acquisition of this scientific knowledge through research. The birth of the binomial theorem in mathematics entailed the spending of a great deal of time by many generations of mathematicians. However, now that it exists, a student can learn it in 1 hour. Taking this as an example, Marx explained to us: "The labor time needed for reproducing science is not comparable to the labor time needed for giving birth to science." ("Collected Works of Marx and Engels," Vol 26, Part 1, p 377) This is the basic secret of the fact that education as a kind of investment in intellectual resources yields much more benefits than investment in

material things. Of course, investment in intellectual resources differs from investment in material things in that its results are not so readily visible or tangible. It may also take a relatively long time to begin to produce an observable effect. However, it can bring us enormous long-term benefits. We must have foresight and sagacity. We must pay attention to investment in intellectual resources for the sake of our future economic invigoration.

To strengthen intellectual resources development, we must fully mobilize the intellectuals' enthusiasm. Just as we must have machinery and factory buildings in order to carry out material production, in carrying out intellectual production, we must have experimental equipment, laboratories, school buildings, and so on. Continuity is a feature of intellectual work. The personnel concerned often need to continue their work at home after official working hours. Thus, their living quarters become the premises where they continue with their work. Therefore, that part of the investment in intellectual resources used for improving the intellectuals' working conditions and livelihood should be regarded as the most basic category of investment. Comrade Chen Yun said: "The improvement of their working conditions should be regarded as a capital construction item. Moreover, it is a basic category of capital construction." ("A Selection of Literature on the Question of Intellectuals," p 175) Some comrades do not understand why wages and remuneration for intellectuals should be appropriately higher. It is because in training an intellectual, not only must the state bear a higher education cost, but his family must also incur a certain cost; studying takes up several years of his time, which could have been spent working for wages. Moreover, mental labor generally belongs to complex labor of varying degrees of complexity. Such labor can create a higher value in the same time. Of course, another reason is that our country is now still rather backward in science and education and is particularly in need of intellectuals. Our wage policy should encourage the training of large numbers of intellectuals. Comrade Hu Yaobang said that the adoption of such a policy "will be advantageous to the development of social production, the raising of the people's standard of material and cultural life, the turning of the working class and all workers into more educated people, and the encouraging of children of workers and peasants to study science and other academic subjects diligently. Thus, it will be advantageous to the training of larger numbers of intellectuals." ("A Selection of Literature on the Question of Intellectuals," p 11) Precisely because of this, the policy of attaching importance to intellectual resources development is compatible with the laws governing the development of socialism and compatible with the long-term as well as immediate interests of the working class and the whole people. Thus, it is a Marxist policy.

CSO: 4004/44

EXPLANATIONS OF SEVERAL IMPORTANT NOTIONS IN 'SELECTED WORKS OF DENG  
XIAOPING'

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 39-44

[Article in the "Cadre Theory Study" column by the RED FLAG Theoretical Education Editorial Office; passages within slantlines published in bold-face]

[Text] II. Concerning Ideological Line

7. /"Seeking truth from facts, proceeding from the actual conditions in everything, combining theory with practice, and persisting in the principle that practice is the criterion for truth--such is the ideological line of our party."/ ("Selected Works of Deng Xiaoping," p 242)

(Article by Zhou Zhixing [0719 1807 5281])

Here, in extremely concise language, Comrade Deng Xiaoping has made explicit the basic points included in the ideological line of the party. These basic points are the concrete embodiment of the dialectical materialist theory of knowledge.

The ideological line of our party is also the dialectical materialist line of cognition. Its basic spirit is to recognize and remold the world in accordance with its original features and the underlying laws of objective matters. In "On Practice," Comrade Mao Zedong generalized the dialectical materialist line of knowledge as: "Discover the truth through practice, and again through practice verify the truth. Start from perceptual knowledge and actively develop it into rational knowledge; then start from rational knowledge and actively guide revolutionary practice to change both the subjective and the objective worlds. Practice, knowledge, more practice, and more knowledge--this form repeats itself in endless cycles, and with each cycle the content of practice and knowledge rises to a higher level." Later, in the Yanan rectification campaign, Comrade Mao Zedong again expressed the dialectical materialist line of cognition as the four words "seeking truth from facts." He said: "'Facts' are all the things that exist objectively; 'truth' means their internal relations, that is, the laws governing them; and 'to seek' means to study." The ideological line of seeking truth from facts is the line to guide us to



truthfully reflect the objective conditions, to make the subjective conform with the objective, and to correctly recognize the world and remold it. In reaffirming the ideological line of the party, Comrade Deng Xiaoping has emphatically pointed out: "Seeking truth from facts is the starting point and the basic point of Mao Zedong Thought. This is materialism."

Only by proceeding from the actual conditions in everything, will we be able to genuinely succeed in seeking truth from facts. Speaking of seeking truth from facts, Comrade Mao Zedong said: "We should proceed from the actual conditions inside and outside the country, the province, county, or district and derive our guide to action from them." To proceed from the actual conditions and to decide the work principle according to the actual conditions is the most fundamental way of thinking and method of work that all communists must always bear in mind. If we fail to proceed from the actual conditions, but proceed from subjective intention or from books, seeking truth from facts will become an empty word. Tracing the causes of the various mistakes we have committed in recent years, we found that they all sprang from deviation from the actual conditions of that time and place and from subjectively putting forward the task and determining the work principle. Comrade Deng Xiaoping's concept of seeking truth from facts as part of the content of the ideological line has included in it rich experiences and lessons, and there is no mistaking that it is aimed at the actual conditions.

Combining theory with practice is also the necessary requirement of seeking truth from facts. It is necessary to have theoretical guidance in proceeding from the actual conditions and in probing into the laws governing objective things. The theory we are referring to here is the theory drawn from and proved by objective reality. Without the guidance of correct theories, proceeding from actual conditions will possibly become proceeding from one-sided, isolated, and superficial phenomena, and it will be impossible to succeed in seeking truth from facts. Nevertheless, if theory is not combined with practice, and if theory is not regarded as the guide of action but as dogma to be applied indiscriminately regardless of the time, the place, and the conditions, there will be no proceeding from the actual conditions and no seeking truth from facts to speak of. To combine universal principles with the concrete practice of China's revolution is the basic experience of our party. However, this fine tradition of combining theory with practice was gravely damaged during the "Cultural Revolution." In summing up both the positive and negative historical experiences, Comrade Deng Xiaoping has taken combining theory with practice as the basic point of the ideological line of the party. This is of great practical significance for us in studying the new conditions, in solving new problems in the new historical stage, and in building socialism with Chinese characteristics.

To persist in the principle that practice is the criterion for truth is also an important part of persisting in the dialectical materialist theory of cognition and of persisting in the ideological line of seeking truth from facts. Both Marx and Engels regarded the criterion of practice as the basis of the materialist theory of cognition. Likewise, on many occasions

Lenin and Mao Zedong laid stress on the place and role of the criterion of practice in the dialectical materialist theory of cognition. Owing to the limitations of historical conditions and of individual ability to understand, all the knowledge people have acquired is unavoidably limited. Not only will it be impossible for people to acquire exhaustive truth, but mistakes will often occur. Such mistakes and limitations will only be discovered through the criterion of practice and be corrected and overcome through continuous practice. Therefore, in order to succeed in seeking truth from facts, it is imperative to pass judgments based on the criterion of practice, to persist in truth, and to revise the mistakes. If we oppose the principle that practice is the criterion for truth, we will certainly be bogged down in subjectivism. That Comrade Hua Guofeng put forth the "two whatevers" in 1977 and opposed the debate on the principle that practice is the criterion for truth is not an accidental coincidence, but an inevitable outcome of his deviation from the ideological line of seeking truth from facts. Comrade Deng Xiaoping initiated and highly appraised the discussion on the principle that practice is the criterion for truth, indicating: "Through the debate on the principle that practice is the sole criterion for truth and on the 'two whatevers,' our problem of ideological line has been comparatively explicitly solved, and the ideological line of seeking truth from facts, combining theory with practice, and proceeding from actual conditions in everything initiated by Comrade Mao Zedong has been restored and developed."

The basic point of the ideological line of the party expounded by Comrade Deng Xiaoping is a unified whole. There is a particular emphasis in each of these four points, but they are all closely connected, all supplement each other, and all are threaded together. However, their very core is seeking truth from facts, because this expresses in concentrated form the basic requirements of dialectical materialism and generalizes the basic spirit of the ideological line of the party. Proceeding from the actual conditions in everything, combining theory with practice, and persisting in the principle that practice is the criterion for truth may all find their expression in seeking truth from facts. Therefore, we sometimes concisely describe the ideological line of the party as the ideological line of seeking truth from facts.

Our party's ideological line of seeking truth from facts was established by Comrade Mao Zedong. During most of the time he led the revolution, he persisted in this ideological line. His important works such as "Oppose Book Worship," "On Practice," "On Contradiction," "Preface and Postscript to 'Rural Survey,'" "Some Questions Concerning Methods of Leadership," "Where Do Correct Ideas Come From?" and so on, all profoundly expounded the idea of seeking truth from facts. Comrade Mao Zedong also attached great attention to educating the broad masses of cadres and party members with the idea of seeking truth from facts; in particular, through the Yanan rectification campaign, the idea of seeking truth from facts struck root in the hearts of the people, and the ideological line with seeking truth from facts as its core was established in the whole party. It is to be regretted that in his late years, Comrade Mao Zedong relied too much on the experiences gained in the revolutionary struggles in the past and cared

less for making serious study of the new conditions and new problems after China entered upon the socialist stage, resulting in his gradual deviation from the ideological line of seeking truth from facts initiated by himself. During the "Cultural Revolution," this ideological line was even gravely trampled on by Lin Biao and the "gang of four," causing great danger and damage to the cause of the party and resulting in great disaster to the country. After the smashing of the "gang of four," recovering and reestablishing the ideological line of seeking truth from facts became a question of prime importance and urgency. It was under such conditions that Comrade Deng Xiaoping time and again reaffirmed the party's ideological line of seeking truth from facts, making its essence more complete and explicit in his explanation. This enables people to understand and master it in a more complete and concrete way, to practice and exercise it in a more systematic way; and is more advantageous to distinguishing and resisting erroneous ideological lines. This is of far-reaching significance in strengthening the ideological construction of the party as well as in ensuring the victory of the cause of socialism.

8. /"Ideological line is not a small problem; it is the basis for determining the political line. The key to whether a correct political line can be implemented lies in whether the ideological line is correct."/ ("Selected Works of Deng Xiaoping," p 176)

(Article by Zhou Zhixing [0719 1807 5281])

A political line is the general line and general task formulated by the party in order to realize the aim of struggle in a certain historical stage. Whether the political line is correct or not will determine the rise or decline, the success or failure of the revolution. A correct political line does not come into existence from out of a void; it must be based on profound understanding and scientific analysis of the objective conditions. The history of our party has time and again proved that the ideological roots of a correct or erroneous political line lie in whether it takes dialectical materialism and historical materialism as its guidance, and whether it proceeds from the objective realities of our country and the basic interests of the people of our nation. A correct ideological line is the basis on which a correct political line is to be determined. For instance, the general line of our party for the stage of the new democratic revolution was: a revolution of the broad masses of people under the leadership of the proletariat in the struggle against imperialism, feudalism, and bureaucratic capitalism. The line correctly explained the nature and task of the new democratic revolution of our country and solved the problems of the leadership, alliances, and targets of the revolution. This line proved to be a correct line leading to the victory of the revolution of China by practice. Its very formation was based on a correct ideological line. Beginning from the earliest years of his participation in the revolutionary movement, Comrade Mao Zedong had all along advocated and practiced investigation and study of the actual conditions of Chinese society and had all along opposed the divorce of theory from practice. He had time and again emphasized the truth that "without investigation, there is no right to speak." Therefore, he was

able to profoundly understand the state of affairs of China and the law that governed China's revolution and, based on this, to determine the correct political line. The reason why those people who committed "leftist" errors made mistakes concerning the problems of the revolutionary task and class relations, the problems of revolutionary war and revolutionary base areas, and the problems of strategy and policy was precisely that their ideological line was wrong. They failed to adopt Marxist-Leninist stand, viewpoints, and method in making a serious study of the actual conditions of China and the practical experiences of China's revolution, in drawing conclusions from the study, and, in turn, in testing whether these conclusions were correct through the practices of the masses. On the contrary, they looked upon some words and phrases from books as dogma and used them to guide the revolution, applying them mechanically in disregard of specific conditions. Therefore, the political line they put forward was inevitably erroneous.

We have had similar experiences and lessons since the founding of the PRC. In the early part of the 1950's, our party persisted in the correct ideological line and attached importance to combining theory with practice and investigation and study. Therefore, the party's general line for the transitional period put forward at that time was completely correct. This general line was: For a considerably long period of time, we should gradually realize the socialist industrialization of our country and gradually realize the socialist transformation of agriculture, handicrafts, and capitalist industry and commerce by the state. Under the guidance of the line, we smoothly completed the transformation of the means of the private ownership of production in a very short period of time and made great achievements in socialist construction. However, beginning in the latter part of the 1950's, we violated to a certain degree the ideological line of seeking truth from facts; there were errors in the analysis of the situation and the understanding of the state of affairs of our country; and the political line, principles, and policies were also divorced from practice, resulting in grave mistakes, going so far as to have committed such a long-standing mistake, involving the whole situation, as the "Cultural Revolution." Since the 3d Plenary Session of the 11th CPC Central Committee, our party has reestablished the dialectical materialist ideological line. Through summing up historical experiences and serious investigation and study, there is a clearer understanding of the state of affairs of our country, and it is on this basis that the political line of the new historical stage and the series of principles and policies in conformity with the actual conditions have been determined. Comrade Deng Xiaoping has pointed out: "To generalize, the political line of our party at the current stage is to carry out the four modernizations wholeheartedly." It is under the guidance of this line that a political situation of stability and unity has appeared in only a few years and that the shift of the work focus has been realized, the national economy enabled to develop steadily in readjustment, and the living standard of the people remarkably improved.

Comrade Deng Xiaoping has emphatically pointed out: The key to whether the political line is correct lies in whether the ideological line is on the

right track. This is because once a correct political line is determined, it has to be specifically implemented by people. As to the question of what sort of people are to implement the line, whether it is implemented by people who are on the right track in ideological line or by people who are on the wrong track in ideological line, there will be a world of difference in the result. In the history as well as in the practical life of our party, such a phenomenon can often be seen, namely, under the condition that the party's political line is correct, it fails to be implemented well in those areas and units under the leadership of some comrades who are not able to persist in the ideological line of seeking truth from facts. One situation is that as the ideological line of those comrades is not on the right track, they fail to go deep into the realities of life to make investigation and study, and they fail to break through the bondage of the erroneous ideas of "leftism," becoming ossified or semioossified in their state of mind. Therefore, they fail to correctly understand the political line and its corresponding principles and policies determined by the CPC Central Committee proceeding from actual conditions. And there is the situation of resistance by doing nothing in work, or of being irresolute or slack in work. Another situation is that as their ideological line is not on the right track, they fail to proceed from the actual conditions of the place; neither do they seriously sum up the practical experiences of the masses. Therefore, they fail to put forth concrete measures and methods to implement the party's line, principles, and policies in accordance with the actual conditions, but mechanically apply or pass them on in disregard of specific conditions. Of course, it is then also impossible for the correct political line to be implemented. As criticized by Comrade Mao Zedong in "Oppose Book Worship": "To carry out a directive of a higher organ blindly and seemingly without any disagreement, is not really to carry it out; it is the most artful way of opposing or sabotaging it."

Comrade Deng Xiaoping has repeatedly emphasized the determining role of the ideological line in determining and implementing the political line, basing on the fundamental principles of Marxism and the historical experiences of our party. This is of great practical significance. We are now in a new historical stage, and the new task has set us higher requirements. So long as we persist in the ideological line of dialectical materialism, we will certainly be able to profoundly understand and implement the party's political line and to create a new situation in all items of work; and we are surely able to turn the magnificent blueprint of building a socialist modernized country into reality.

9. /"The 'two whatevers' is not Marxism-Leninism-Mao Zedong Thought."/ ("Selected Works of Deng Xiaoping," p 175)

(Article by Huang Hai [7806 3189])

The "two whatevers" refers to a statement which first appeared in the editorial entitled "Study the Documents Well and Grasp the Key Link" by RENMIN RIBAO, RED FLAG, and JIEFANGJUN BAO: "We must resolutely support whatever policy decisions Chairman Mao has made and consistently follow

whatever directives Chairman Mao has issued," which was initially put forth by Comrade Hua Guofeng. In his speech to the work conference of the CPC Central Committee in March 1977, Comrade Hua Guofeng continued to persist in the viewpoint of the "two whatevers," and pursued it as a principle.

The viewpoint of the "two whatevers" fundamentally violated the theory of cognition and the outlook of truth of Marxism. Man's correct knowledge of the objective world does not drop from the skies, nor is it innate in the mind; it is formed through taking part in social practice, leading from practice to knowledge and then back to practice. Correct knowledge can be arrived at only after many repetitions of this process. Nature and human society are forever changing, man's activities in the practice of transforming nature and society is forever developing, and man's cognition of the objective world is also forever deepening and will never stop at the same level. Just as Engels said when speaking of Hegel's dialectical thinking: "Truth lay in the process of cognition itself, in the long historical development of science, which mounts from lower to ever higher levels of knowledge, but without ever reaching, by discovering some so-called absolute truth, a point at which it can proceed no further and at which it would have nothing more to do than to fold its hands and gaze admiringly at the absolute truth it had attained." ("Selected Works of Marx and Engels," Vol 4, p 212) Lenin also said: "Truth is the process." ("Complete Works of Lenin," Vol 38, p 215) It means to say that there is a process from incompleteness to comparative completeness, and from unprofoundness to comparative profoundness in our cognition of the objective world. Everyone, including great leaders of the proletariat, is limited by historical conditions and the environment he is in his cognition of the objective world, and the truth he has arrived at is conditional and relative. It is obviously not appropriate to regard all the strategic policies and instructions made by Comrade Mao Zedong, and even every one of his words, as absolute truth and to guide our work today with them wholly intact.

Neither Marx, Engels, Lenin, Stalin, nor Mao Zedong ever said that whatever they said was absolutely correct, that it was imperative to act in accordance with their words. On the contrary, they had advocated all along not turning theory into rigid dogma, but incessantly developing theory in practice. The works of Marx and Engels were all written after they had made ample investigation and study of the realities of life and historical materials, and after they were published, Marx and Engels often added new materials in the introductions, prefaces, and explanatory notes in the reprints of their works and revised some of the views which had become inapplicable. For instance, in the introduction written for Marx "The Class Struggle in France," Engels mentioned after the revolution of 1848, that he and Marx had made some mistakes in the estimation of the process and the ending of the revolutionary movement of that time. Engels said: "History has proved that we, too, made a mistake; the viewpoint that we held at that time was but an illusion. History has done more: It has not only dispelled our perplexity and mistake at that time, but has also completely changed the condition for the proletariat to carry on their struggle.

The method of struggle in 1848 is outmoded in every way for today. This point is worth our comparatively close study here." ("Complete Works of Marx and Engels," Vol 22, p 595) Lenin also set us an example for studying new conditions and solving new problems with Marxist world outlook and methodology. Stalin said: "Lenin's greatness consists precisely in the fact that he did not allow himself to be held prisoner by the letter of Marxism, that he was able to grasp the essence of Marxism and to use it as a starting point for developing further the teachings of Marx and Engels." ("Complete Works of Stalin," Vol 8, p 222) Neither did Comrade Mao Zedong say anything about "whatevers." Just as Comrade Deng Xiaoping has pointed out: "Comrade Mao Zedong said on several occasions that there were mistakes in some of his speeches. He also said that Marx, Engels, and Lenin had all made mistakes; if this is not the case, why should they have often corrected their manuscripts again and again? The reason why they did so was that some of the original viewpoints were not entirely correct, not complete or accurate enough."

The international communist movement and the historical experiences of our party have long negated the viewpoint of "whatevers." Marx and Engels once held that the proletarian revolution would win victory in major capitalist countries of the world simultaneously. Lenin did not regard their conclusion with the attitude of "whatever," but combined the Marxist theory of proletarian revolution with the latest development of the world situation in the imperialist era and with the concrete realities in Russia, and successfully realized the victory of socialist revolution primarily in one nation, and in a minor capitalist nation. If the viewpoint of "whatever" had been followed, there would not have been victory in Russia's October Revolution. In the process of leading China's revolution, Comrade Mao Zedong did not rigidly adhere to the mold of the "October Revolution" of seizing power through armed insurrection in the cities, but in accordance with the actual conditions of China, found a road of establishing base areas in the countryside, encircling the cities with the countryside, and finally seizing political power in the whole nation. If the viewpoint of "whatever" had been followed, there would not have been victory in China's revolution, because Marx, Engels, Lenin, and Stalin had not said anything about encircling the cities with the countryside, and so we would not have been allowed to do so. It was not until the 3d Plenary Session of the 11th CPC Central Committee, when the CPC Central Committee put forth the issue of emancipating the mind, bringing order out of chaos, and breaking away from the "two whatevers," that the great historic change was realized, and there appeared an excellent situation rarely seen since the founding of the PRC. Among the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee, some of them were not put forth when Comrade Mao Zedong was still alive, others were put forth by Comrade Mao Zedong but failed to be realized, and still others had been mistakenly opposed by Comrade Mao Zedong. If we followed the viewpoint of the "two whatevers," none of these correct principles and policies could have been put forward and implemented, and there would not have been such an excellent situation of creating a new situation of the all-round socialist modernization construction of today.

All this has illustrated that we should not stick to "whatevers," even in the case of the correct conclusions of revolutionary teachers, not to speak of the "two whatevers" put forward by Comrade Hua Guofeng at that time, which were not only dogmatic in methodology, but included erroneous political content. The "two whatevers" meant in essence, persist in the errors of Comrade Mao Zedong in his late years and in the series of "leftist" guiding principles of the "Cultural Revolution." These erroneous things do not belong to the scientific system formed by the basic principle of Mao Zedong Thought. Therefore, they should not be regarded as our guide of action. Pursuing the "two whatevers" will only do harm to Mao Zedong Thought and our cause of socialism. Comrade Deng Xiaoping carried on resolute struggle against this erroneous principle; he explicitly pointed out: "The 'two whatevers' is not right." "The 'two whatevers' is not Marxism-Leninism-Mao Zedong Thought." And he has criticized it theoretically on several occasions. These expositions by Comrade Deng Xiaoping have played an important role in resisting the erroneous principle of the "two whatevers" in the whole party, in reestablishing the Marxist ideological line, and in realizing the great historic change.

10. /"To emancipate the mind is to make one's thinking conform with the actual conditions, to make the subjective conform with the objective; it is to seek truth from facts."/ ("Selected Works of Deng Xiaoping," p 323)

(Article by Huang Zheng [7806 1513])

This saying of Comrade Deng Xiaoping has explained from the height of Marxist theory of knowledge the essential meaning of emancipating the mind.

After the smashing of the Jiang Qing counterrevolutionary clique, Comrade Deng Xiaoping time and again focused on the necessity of emancipating the mind, aiming at the "two whatevers" and the ossified and semiossified state of mind of part of the comrades. During the work conference of the CPC Central Committee in December 1978, Comrade Deng Xiaoping further put forward the principle of "emancipating the mind, using one's brains, seeking truth from facts, and looking forward in unity," and made great contributions to the reestablishment of the Marxist ideological line of seeking truth from facts in the 3d Plenary Session of the 11th CPC Central Committee. Practice has proved that the principle of emancipating the mind has played a very great role in the overall clarification of the "Cultural Revolution" and the "leftist" errors prior to it, and in stepping up the work of bringing order out of chaos in guiding ideology and practical work. However, in the process of emancipating the mind, some comrades had the misunderstanding that there would be no restriction whatever when emancipating the mind, even confusing it with bourgeois liberalization. This violated the true meaning of emancipating the mind and deviated from the right track.

Comrade Deng Xiaoping has always expounded the idea of linking emancipating the mind with seeking truth from facts. Emancipating the mind and seeking truth from facts are prerequisite to each other and interdependent on each other. To succeed in seeking truth from facts, it is necessary to first



emancipate the mind; while doing so, we must conform with the principle of seeking truth from facts. The Marxist theory of knowledge tells us that man's cognition derives from practice and is judged by practice. Correct cognition is only that which conforms with the objective realities. To emancipate the mind is to break with spiritual bondage and to recognize things in their original forms so as to make our subjective cognition conform with the objective realities; and to enable us to succeed in seeking truth from facts in thinking about problems and in handling affairs in order to arrive at the expected aim. And it is only by esteeming objective realities, esteeming objective laws, proceeding from the actual conditions in everything and listening attentively to the voice of practice that we will be able to have a correct cognition of things and avoid blindness and one-sidedness, so as to enable our minds to be emancipated. Here, it is imperative for us to oppose two erroneous tendencies: One is to indiscriminately copy words from books or instructions from a higher level without solving problems proceeding from actual conditions or aiming at anything. Lin Biao and the "gang of four" once advocated that "every sentence is truth" and that "one sentence is as good as 10,000 sentences," and they went in for creating forbidden areas and forbidden decrees in a big way and creating the personality cult, which gravely shackled people's minds. Due to such pernicious influence and the effects of the "two whatevers," some comrades became used to the "unique importance of the superior" and the "unique importance of whatever the book says," following the beaten path and being satisfied with the existing state of affairs. Under such circumstances, there was nothing of seeking truth from facts to speak of. The other tendency is that some comrades regard emancipating the mind as to be able to proceed from one's subjective intention, regardless of objective laws, engaging oneself in impractical fantasy. In this respect, we have had many lessons. During the period of the "Great Leap Forward," many comrades got hot-headed, believing that it was possible to arrive at communism by "quick march." Under the slogan of "emancipating the mind" and regardless of the objective law, they advocated that "the yield of the earth depends on how daring people are," that "it is not what we cannot achieve but what fails to occur to us that we are afraid of," which caused them to perform many foolish things in blindness and rashly. This resulted in grave losses in the socialist construction of our country. Both these tendencies have violated the principle of seeking truth from facts, and neither would attain the expected aim. Therefore, while we are advocating emancipating the mind, it is necessary in particular to lay emphasis on seeking truth from facts. It is necessary to oppose the ossified or semioossified state of mind and, at the same time, to oppose divorce from practice and irresponsible wild flights of fancy.

Emancipating the mind is in accord with upholding the four basic principles. Since the 3d Plenary Session of the 11th CPC Central Committee, the CPC Central Committee has all along issued the call of emancipating the mind and also has focused repeatedly on the necessity of upholding the four basic principles. Upholding the four basic principles is put forth on the basis of summing up the long-standing historical experiences of our country, is aimed at the actual conditions of the new stage, and is the embodiment of the combination of the universal truth of Marxism with the concrete

practice of our country. Therefore, departure from the four basic principles means to depart from China's realities and to violate the principle of seeking truth from facts. The tendency of bourgeois liberalization is to negate the four basic principles from the right. Such an idea and conduct themselves are a distortion of objective reality and a violation of seeking truth from facts, and are fundamentally opposed to emancipating the mind as advocated by the CPC Central Committee. The four basic principles are by no means "frames" to prevent the mind from being emancipated, but the premise and guide to enable the emancipation of the mind to advance along the right track.

In the present new historical stage, to emancipate the mind means to require every one of our comrades to resolutely break away in ideology from the long-standing serious bondage of dogmatism and the personality cult. It means to persist, under the guidance of Marxism-Leninism-Mao Zedong Thought, in the principle of seeking truth from facts, proceed from the actual conditions in all things, combine theory with practice, correctly understand the state of affairs of our country, boldly study the new conditions, and solve new problems. To carry on socialist modernization in a country with a large population and a weak basis like ours, the task is arduous and complicated. If we fail to emancipate the mind and are in the habit of copying things indiscriminately and are full of misgivings in our work, then our modernization has no prospects. It is necessary for us to overcome the ossified and semioossified state of mind, criticize the way of thinking of the sluggard, advocate that everyone should use their brains, and be bold in exploring, diligent in thinking, and daring in bringing forth new ideas to deal with the new conditions, new things, and new problems that will emerge in large number in the process of the four modernizations. With the development of the cause of socialist modernization, especially when reform is being carried on in every field and new problems of all sorts continue to appear, the contradictions between the old and the new and between the emancipation of the mind and conservatism will exist for a long time. Therefore, it remains an important task for us to strive to emancipate the mind and further implement the ideological line of seeking truth from facts.

CSO: 4004/43

## FOUNDER OF MARXISM AND WORK OF COMMUNIST THEORETICAL EDUCATION

Beijing RED FLAG in Chinese No 14, 16 Jul 83 pp 45-47

[Article by Fan Ruoyu [5400 5307 1946] in "Reading Notes" column]

[Text]

### I

In the times when Marx and Engels were alive, there were no political conditions for communist parties to establish party schools. However, they availed themselves of any opportunity to give lectures to publicize scientific communism or Marxist theory, and trained the first batch of backbone international proletarian revolutionaries. This had the same effect as the establishment of party schools. In his article entitled "On the History of the Communist League," Engels said that the league "is one of the best schools of revolutionary activities." ("Selected Works of Marx and Engels," Vol 4, p 200) At that time in these extremely fine schools, Marx and Engels were the best teachers. In his reminiscence about Marx, Wilhelm Liebknecht said: "Marx is a strict teacher; he not only compels us to study, but also examines the soundness of our study." "Viewed as a teacher, Marx has a rare characteristic--he can be strict, while refraining from depressing anyone. As a teacher, Marx has another virtue--he forces us to carry out self-criticism, and does not allow us to be satisfied with the achievements we have already acquired." (People's Publishing House 1957 version of "Reminiscence About Marx and Engels," p 106)

The teaching staff working in our party schools should learn from their predecessors. They must learn from Marx' and Engels' enthusiasm and devotion in carrying out communist ideological education, and from their virtues in acting as teachers.

### II

In the 1840's and in an even later period, Marxist theory did not yet occupy a dominant position in the workers' movement. In 1846, Marx and Engels set up the "Communist Communication Committee." This committee's tasks were making contacts between German socialists and between the socialists of various countries, organizing the work related to the propaganda and education of the theory on scientific communism and at the same time criticizing various kinds of ideological trends of utopian socialism.

At the end of March of the same year, the Brussels "committee" held a meeting. The committee specially invited Wilhelm Weitling to attend this meeting. (Wilhelm Weitling was originally a German tailor and later became an agitator, plotter, and vulgar equalitarian communist. He was one of the founders of the "League of the Just" and was very influential at the initial stage of the international workers' movement.) According to the reminiscence of P. Annenkov, who was one of the participants in this meeting, in his opening speech at the meeting, Engels talked about the idea that leaders of workers' movement in various countries must develop a general theory as a flag to rally around it their successors who had neither time nor opportunity to make a study of the theory. After Engels' speech, Marx asked Weitling: "In Germany, you have been arousing people at the top of your voice; will you please tell us, on what basis can you prove that your activities are right? On what basis can you plan for your future activities?" (For details, refer to "Reminiscence About Marx and Engels," pp 310-311) At the beginning of Weitling's speech, he explained that his aim was not to create a new economic theory, but to adopt a more effective method. At the end of his speech, he said that his common preparatory work was more helpful to our cause than neglecting the sufferings of the miserable world and people and carrying out theoretical analysis in the manner of divorcing oneself from the masses and reality. Marx was very much agitated by Weitling's words. He said: "Ignorance can never help anybody!" (For details, refer to "Reminiscence About Marx and Engels," pp 310-312) Later, the scholars who studied the history of the workers' movement thought that this meeting played a great role in fighting against Weitling and in training the first batch of backbone international proletarian revolutionaries. ("Marx, Engels and the First Batch of International Proletarian Revolutionaries," p 8) In 1893, Engels wrote, in his letter entitled "To the International Congress of College Student Socialists," that in order to liberate the working class, we should "seize and manage not only the apparatus of politics but also all the social production. What we need here is by no means resounding words and phrases, but a wealth of knowledge." ("Collected Works of Marx and Engels," Vol 22, p 487)

"Ignorance can never help anybody." What we communists need "is by no means resounding words and phrases, but a wealth of knowledge." These pithy words of Marx and Engels often contain new instructions. At present, we are building a highly civilized and highly democratic modern socialist country. If we communists are ignorant and do not have a wealth of knowledge, we will not be able to make any contributions in any of our construction undertakings. Nor will we be able to seize and manage the apparatus of politics or the production of society. It is precisely for this reason the CPC Central Committee calls on our cadres to strive to become educated. In his important speech entitled "Emancipate the Mind, Seek Truth From Facts, Unite as One and Look Forward," Comrade Deng Xiaoping emphatically points out: "All the comrades in our party must be good at studying, and at renewing their study." "What shall we study? The most fundamental thing for us to do is to study Marxism-Leninism-Mao Zedong Thought. We shall strive to integrate the universal principles of Marxism with the concrete practice of the four modernizations in our country. At present, most of our

cadres should focus on studying the following things: economics, science, technology, and management. Only when we study these things satisfactorily, can we satisfactorily develop our socialist modernization with high speed and lead it to a high level."

### III

Marx said: "Of course, the weapons of criticism cannot replace the criticism of weapons, and a material force can only be destroyed by a material force. However, once a theory is mastered by the masses of people, it will also become a material force." ("Selected Works of Marx and Engels," Vol 1, p 9) The first programmatic document, the "Manifesto of the Communist Party," points out: "In terms of practice, we communists are the part of the workers' political party that is most resolute and that always promotes the development of our movement. In terms of theory, where they are superior to the rest of the proletarian masses lies in the fact that they understand the conditions, process, and the general results of the proletarian movement." ("Selected Works of Marx and Engels," Vol 1, p 264) The communists are better at theory than the masses of ordinary proletarian masses. However, Marx said: "An educator must himself receive education." ("Selected Works of Marx and Engels," Vol 1, p 17) It goes without saying that the communists who have shouldered the tasks of educating our proletarian masses should first be educated.

Now it becomes increasingly clear for us that, in order to turn theory into a material force for socialist construction, it is even more necessary for the theory to be mastered by the masses of people in the period of socialist construction than in the period when we overthrew the exploiting classes. Establishing party schools is precisely aimed at enabling our Communist Party members and, first of all, those who are in leading posts, to receive education and grasp theory, and then, through them to educate the masses of people, and thus turn theory into a material force in our socialist construction.

### IV

Engels said: "No matter how much we look down upon the role of all theoretical thinking, without theoretical thinking we cannot find the connection between two facts in nature or understand the connections that exist between them. In this respect, the only question is whether the thought is correct or not. Therefore, obviously, looking down upon theory is naturalistically the surest way that leads to incorrect thinking." ("Selected Works of Marx and Engels," Vol 3, p 482)

Our party puts the way of correct thinking to the high plane of our party's ideological line. Establishing our party schools is precisely aimed at enabling our cadres to study theory and to unify their thinking with our party's ideological line.

## V

Talking about Marx' theoretical research work, Engels said: "All the theory of this man was the result of his lifelong research into the history of the British economy and its economic conditions." ("Collected Works of Marx and Engels," Vol 23, p 37) This fact is precisely as what Lenin said: "'Das Kapital' is nothing but a summary of mountains of practical materials into a few closely linked ideas." ("Collected Works of Lenin," Vol 1, p 121) In his letter to Jossif Nersesso witsch Atabekjanz, Engels said: "I thank you very much for your attractive descriptions of Armenian situations. Still, I cannot accept the idea that it is correct or reasonable to publish views that do not result from the research carried out by oneself." ("Collected Works of Marx and Engels," Vol 39, p 311) In appraising Engels' "Sources of Families, Private Ownership and States," Lenin said: "This is one of the major works on modern socialism, everything in it is reliable and well-founded, and it is written on the basis of a large number of historical and political materials." ("Selected Works of Lenin," Vol 4, p 43)

Marx' and Engels' great theoretical contributions were the results derived from their long-term arduous investigation and study of the history and current situations. Now, in order to expound on and prove, in theory, the construction of a modern socialism with distinguishing Chinese features, we must carry out the investigation and study of our history and particularly of our current situation. When we discussed the question of the normalization of our education in the national conference on work related to party schools, we put forward the requirements of strengthening our ranks of teachers and improving the qualities in writing our teaching materials. In order to meet these requirements, the meeting stressed that it was imperative for our party school teachers to strengthen their investigation and study.

## VI

In his "Speech at the Graveside of Karl Marx," Engels said: "According to Marx, science is a kind of revolutionary force that promotes history. A new discovery in any theoretical science made Marx heartily happy, even though its practical value could not be foreseen. However, at the time when there was a discovery that would produce immediate revolutionary effects on the general development of history, his happiness was entirely different." ("Selected Works of Marx and Engels," Vol 3, p 575)

In his article entitled "Reminiscence About Marx," Paul Lafargue said: "Marx once said: 'Science is by no means a selfish enjoyment. Those who are fortunate enough to be engaged in scientific research should use their knowledge to serve the human race.' One of Marx' favorite and well-known remarks is 'work for the human race.'" ("Reminiscence About Marx and Engels," p 68)

Now, our "normalization" of the education in our party schools is precisely aimed at training our cadres to become well-educated leaders and

giving play to the role of science as a revolutionary force that promotes history. Serving our country's socialist modernization is, in the final analysis, also serving the human race.

## VII

In his article entitled "On Pierre Joseph Proudhon," Marx said: For those who are "engaged in swindling and bluffing in science and in speculation in politics, there is only one motive force--vanity. Like all those who love vanity, what they are concerned for is only immediate success and a momentary enjoyment of fame. Thus, they will inevitably lose the simple sense of morality such as that which made Jean Jacques Rousseau continuously avoid any compromise, even a compromise in appearance, with the existing political power." ("Selected Works of Marx and Engels," Vol 2, p 148)

What Marx meant by "swindling and bluffing in science" is what we mean by unhealthy style of study. What Marx meant by "speculation in politics" is what we call unhealthy party style. We must improve the quality of our party school teachers, and require that they rectify the style of study and party work style and thus set examples for their students.

## VIII

In 1845, Engels wrote a letter to Marx in which he said: "What we must first do at present is to write a few works of large volume in order to provide a basis for many people who have only a smattering of knowledge and are very willing to do this work themselves but lack the ability to do this work well." ("Collected Works of Marx and Engels," Vol 27, p 18)

In 1889, Engels wrote in one of his letters that: "We must realize that there is still much work to do in the theoretical field, particularly in the field of economic history and its relations with the histories of politics, law, religion, and literature and the general history of culture. Only a clear theoretical analysis can find a correct way out of the complicated facts for the solution of the problems in these fields." ("Collected Works of Marx and Engels," Vol 37, p 283)

In 1890, in another letter Engels said that: "We must make a renewed study of the whole history and must make a detailed study of the conditions for the existence of various forms of society. Then, we will manage to find out from these conditions the corresponding viewpoints in politics, civil law, esthetics, philosophy, religion, and so forth. In this area, little has been achieved up to the present time, because the number of people who conscientiously do so is very small." ("Collected Works of Marx and Engels," Vol 37, pp 432-433)

From the works that the founders of Marxism wrote throughout their lives, we can see that they are not only concerned with the work of communist theoretical education, but also raised an all-round and systematic requirement for the content of this education under the conditions of their

times. This all-round and systematic requirement is also the direction for the "normalization" of our party schools. Of course, in view of the concrete content of education, our requirement is wider in range than the one raised by Marx and Engels in their times.

\* \* \*

In March this year, a second conference on work related to party schools was convened. The principal question for the discussion in this conference was how to implement the "normalization" of our party school education. Shortly afterward, a symposium was held by the party schools throughout the country to mark the centennial of Marx' death. In the process of studying the documents of the symposium, I reviewed some words of the founders of Marxism on the work related to communist theoretical education and the reminiscence of relevant people and thus have written the above reading notes.

Along with the development of the world communist movement and science, in different historical periods, Lenin, Stalin, and Comrade Mao Zedong made expositions on the problem related to the education of communist theory among the cadres. Since the Russian October Revolution, in the countries where the proletariat has seized state power, all the communist parties there have particularly and publicly established their formal party schools to educate party cadres in Marxist theory. All the expositions of the founders of Marxism and their successors are of great significance for the educational work in our party schools and must, therefore, be conscientiously and satisfactorily studied by us.

It has already been more than 50 years since the CPC established its party schools, which have undergone several phases of development. Except for the decade of internal disorder when party schools were suspended because of serious destruction, in all the various historical periods, our party schools made their important contributions to meet the demand of the party's cause. For example, the Yanan Central Party School that was set up in 1942, the Marxism-Leninism Institute (later renamed the Higher Party School) founded in 1948, and the Central Party School restored in 1977 all have played a leading role in educating cadres in Marxism-Leninism-Mao Zedong Thought to meet the demand of history. By now, in order to meet the demand of socialist modernization, our party school work conference itself marked the beginning of a new historical phase of the "normalization" of our party schools. Party schools are an important part of our party's cause and their history is closely connected with the history of our party. Now, the personnel in our party schools must bravely shoulder the tasks for party schools in the new historical period and make efforts to achieve the normalization of our party school education.

CSO: 4004/43



## RED FLAG HOLDS TEA PARTY TO MARK ITS 25TH ANNIVERSARY

Beijing RED FLAG in Chinese No 14, 16 Jul 83 p 48

[Report]

[Text] On 27 June, RED FLAG hosted a tea party at the Great Hall of the People to mark its 25th anniversary. Present at the party were more than 200 comrades, including leading comrades from the CPC Central Committee and various departments and commissions under the State Council, theoretical, press and publication circles, and institutes of higher learning, and comrades who had worked with the journal. They included Wan Li, Yu Qiuli, Deng Liqun, Gu Mu, Bo Yibo, Yang Jingren, Liu Lantao, Cheng Zihua, Zhou Peiyuan, Wang Shoudao, He Changgong, and Wu Xiuquan.

Wan Li, member of the Standing Committee and secretary of the Secretariat of the CPC Central Committee, spoke at the party. He said that at the present stage, our country is experiencing a period of great reform and changes. During this period, there are a number of theoretical and ideological problems that have to be resolved conscientiously. Consequently, he hoped that RED FLAG will be able to constantly study new situations, sum up new experiences, solve new problems, and spare no effort in making its contributions to the building of socialism with Chinese characteristics.

Yu Qiuli, member of the Standing Committee of the CPC Central Committee and director of the PLA General Political Department, said that since the 3d Plenary Session of the 11th CPC Central Committee, RED FLAG has done enormous work in disseminating Marxism-Leninism-Mao Zedong Thought and the party's line, principles, and policies and carried many good articles of wide significance. He hoped that the journal will be able to write more and better articles about how to study and solve theoretical problems in the building of socialism with Chinese characteristics.

Deng Liqun, secretary of the Secretariat of the CPC Central Committee and director of the Propaganda Department, recalled the history of the journal 25 years ago. He said that RED FLAG was formed 25 years ago under the proposal of Comrade Mao Zedong and with the approval of the Fifth Plenary Session of the Eighth CPC Central Committee and he also recalled the achievements made by the journal and the tortuous path it traversed. He

said that since the 3d Plenary Session of the 11th CPC Central Committee, the journal has been able to carry out its theoretical propaganda in line with the correct line, principles, and policies of the CPC Central Committee and constantly make progress. He also hoped and demanded that the journal will be able, first of all, to strengthen its existing ranks of editors and writers who have better experiences both in editorial and practical works and intentionally promote and train new talents. Second, he hoped that the journal will be able to establish wide, close, and regular contacts with the comrades who are doing theoretical work in various sectors. He said, theoretical workers must go deep into reality to carry out study and investigations and through these activities to find problems and sum up experiences so as to make new achievements for the prosperity and development of the party's theoretical cause.

Bo Yibo, deputy director of the Central Advisory Commission to the CPC Central Committee, hoped that RED FLAG will be able to strengthen the dissemination of economic theory and economic policies. He said that following the shifting of the party's key work to economic construction, a number of new situations and new problems have cropped up. Therefore, the broad masses of cadres, including leading cadres, must study economic theory and economic policies so as to raise their consciousness and lessen blindness in implementing the policies of the CPC Central Committee. He also pointed out that a number of theoretical problems have to be studied in reforming the economic management system and in improving economic efficiency. Therefore, he hoped that the journal will be able to carry more articles that combine theory with practice so as to help cadres improve their theory and profession.

Xiong Fu, editor in chief of RED FLAG, expressed his gratitude, on behalf of all the journal's staff, to the leading comrades of the CPC Central Committee, many veteran comrades, and other comrades from various circles who attended the party for their concern, encouragement, and support to the journal. Xiong Fu said that all the staff of the journal are now studying the inscriptions of Deng Xiaoping, Li Xiannian, Chen Yun, Peng Zhen, Xu Xiangqian, Nie Rongzhen, and Wang Zhen in marking the 25th anniversary of the journal, and are determined to do their work well according to the spirit of these inscriptions, constantly improve the theoretical level of the journal, create a new situation in the work of the journal, and fulfill still better the tasks assigned by the CPC Central Committee for theoretical dissemination and theoretical education.

CSO: 4004/44

## THE 'PHOENIX' AND 'SHEDDING FEATHERS'

Beijing RED FLAG in Chinese No 14, 16 Jul 83 inside back cover

[Article by Liu Shusen [0491 2885 2773]]

[Text] In his speech at a rally marking the centenary of the death of Karl Marx, Comrade Hu Yaobang quoted the famous 19th century German chemist Liebig's remarks about "shedding feathers." Comrade Hu Yaobang referred to these words when he urged us to constantly study and renew our knowledge so as to adapt ourselves to the needs of the socialist modernization program. Eventually, it made me recall a story described by Comrade Guo Moruo in his poem "Nirvana of Phoenix." The story says that a long, long time ago there existed a holy bird called the phoenix. When she was 500 years old, she burned herself on a funeral pyre of sandalwood, and rose from the ashes with renewed and eternal youth. A poem entitled "The Kongyantu [1313 3348 0956]" says that "the phoenix is the spirit of fire that was born in a cave" and, therefore, the bird is also called the fire phoenix. These words may be sources for us today when we refer to the saying: "Green lotus grows from dirty mud and the phoenix is born in flames."

The phoenix is a "holy bird" and it is beyond the match of living gods. But at the age of 500, this holy bird burned herself and rose again from the ashes with renewed youth. This story tells us that metabolism is a general law in universe and nothing in the world can avoid it.

In fact there is something in common between the "shedding of feathers" in study and the "burning" of the phoenix. It means that it is imperative for all comrades to replace their old knowledge with new, to constantly study and be daring in shedding old feathers that are no longer suitable for flying. "Shedding feathers" means daring to deny ourselves; and no doubt courage is needed to do so. But to deny ourselves does not mean to give ourselves up as hopeless; what it means is to make progress, and to "burn ourselves on a funeral pyre of sandalwood" is to "revive with renewed youth."

To "shed feathers" in study is imperative for all of us, including the veteran comrades who have been part of the revolution for decades, young people who have joined the work not long ago, worker and peasant cadres who have made great contributions, and intellectual cadres who have received

systematic education. If you are a nestling, you have to shed your fetal feathers and replace them with mature feathers so that you will have strong wings to fly into the sky; if you are an old eagle, your feathers will degenerate after they have been used for a long time in flying and your wings will be worn out. Therefore, we must also make up our minds to "shed feathers." Although the previous feathers brought us beautiful and glorious days or carried us high into the sky, flying thousands of miles, we cannot revel in these beautiful memories of the old days. We must look to the future, strengthen our wings, and spare no effort to meet the needs of new science.

The "burning on the funeral pyre" of the phoenix happened just once in 500 years; but it is not necessary for us to wait so long to "shed feathers," and shedding feathers on one occasion is not enough for the rest of our life. In particular, science is developing so rapidly today, the renewal of knowledge is becoming faster and faster, and the aging rate of knowledge is also increasing. This speed is beyond the match of the phoenix or the pace of "shedding feathers," as mentioned by the German chemist. Therefore, we must have a sense of urgency, develop the spirit of seizing the hour, and at the same time, we must foster the idea of shedding feathers at any time the rest of our lives.

The "shedding of feathers" in knowledge represents progress, but such "shedding" is not as comfortable as if we are having ice cream in the heat of a summer day. The phoenix is a holy bird, her "burning in the funeral pyre" may not be so unbearable. But I think it must have been less comfortable than hovering in the air. For human beings the process must be much more uncomfortable. It is an arduous mental labor for us to read and study and master modern science and knowledge. It requires unremitting effort and boldness to make progress and some times we have to sacrifice "individual interests." The modernization program requires us to constantly "shed feathers." In order to attain the strategic goal of the new period, we have to "shed feathers." Is there any reason for us to be afraid to "shed feathers" just because of difficulties? Revolutionary teachers gave us brilliant examples in this aspect. Engels studied calculus at the age of 45, while Comrade Mao Zedong studied the English language in his late years. They did not consider old age as a pretext to slacken their study. "Plum blossoms are fragrant because they can stand bitter cold" and we will be able to fly into the sky thousands of miles away and higher and higher when we are bold enough to shed the feathers that are no longer suitable for flying in and replace them with the new ones!

CSO: 4004/43

END